

**Financial Report for the First Three Months of  
the Fiscal Year Ending December 31, 2019 (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: May 14, 2019  
 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 2019 (From January 1, 2019 to March 31, 2019)**

**(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2019	218,681	14.4	14,648	23.6	15,087	23.4	10,042	24.5
March 31, 2018	191,225	6.1	11,851	0.9	12,222	0.8	8,064	0.2

Note) Comprehensive Income: Three months ended March 31, 2019: 10,650 million yen [24.3%]  
 Three months ended March 31, 2018: 8,569 million yen [(1.1)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	yen	yen
March 31, 2019	52.97	—
March 31, 2018	42.53	—

\* 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 2018).

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2019	430,084	226,085	52.1
December 31, 2018	406,732	231,664	56.5

Reference) Equity: As of March 31, 2019: 224,119 million yen  
 As of December 31, 2018: 229,726 million yen

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2018	yen —	yen 0.00	yen —	yen 85.00	yen 85.00
Fiscal Year 2019	—				
Fiscal Year 2019 (forecast)		0.00	—	90.00	90.00

Note) Revision of the recently announced forecasts: No

## 3. Financial Forecasts for the Fiscal Year 2019 (From January 1, 2019 to December 31, 2019)

(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
Six months ending June 30, 2019	413,500	6.1	28,500	4.9	28,940	3.8	19,280	2.6	101.69
Full-Year	803,000	5.7	50,400	4.9	51,200	3.9	34,210	1.8	180.43

- 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.

**\* 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 March 31, 2019:	190,002,120 shares
As of December 31, 2018:	190,002,120 shares
  - 2) Number of treasury shares at the end of the period:

As of March 31, 2019:	400,868 shares
As of December 31, 2018:	400,868 shares
  - 3) Average number of shares during the period:

Three months ended March 31, 2019:	189,601,252 shares
Three months ended March 31, 2018:	189,601,645 shares

\* Average number of shares during the period 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 2018).

**\* 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, 2018	As of March 31, 2019
<hr/>		
Assets		
Current assets		
Cash and deposits	150,888	144,887
Notes and accounts receivable - trade	132,352	157,471
Merchandise	25,721	27,373
Work in process	957	1,052
Raw materials and supplies	828	809
Other	20,833	22,077
Allowance for doubtful accounts	(113)	(125)
Total current assets	<hr/> 331,468	<hr/> 353,544
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,376	17,188
Other, net	19,253	19,222
Total property, plant and equipment	<hr/> 36,629	<hr/> 36,410
Intangible assets	13,789	13,911
Investments and other assets		
Investment securities	14,609	15,441
Other	10,422	10,975
Allowance for doubtful accounts	(187)	(199)
Total investments and other assets	<hr/> 24,844	<hr/> 26,217
Total non-current assets	<hr/> 75,263	<hr/> 76,539
Total assets	<hr/> 406,732	<hr/> 430,084

(Millions of yen)

	As of December 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	89,322	113,625
Electronically recorded obligations - operating	17,904	18,735
Short-term loans payable	4,800	4,800
Income taxes payable	9,326	5,053
Provision for bonuses	3,564	9,423
Other	36,408	37,416
<b>Total current liabilities</b>	<b>161,327</b>	<b>189,054</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,700	1,700
Provision for directors' retirement benefits	690	667
Net defined benefit liability	9,205	9,800
Other	2,144	2,776
<b>Total non-current liabilities</b>	<b>13,740</b>	<b>14,943</b>
<b>Total liabilities</b>	<b>175,067</b>	<b>203,998</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	209,335	203,261
Treasury shares	(139)	(139)
<b>Total shareholders' equity</b>	<b>235,825</b>	<b>229,751</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,544	4,944
Deferred gains or losses on hedges	(23)	0
Revaluation reserve for land	(11,650)	(11,650)
Foreign currency translation adjustment	3	3
Remeasurements of defined benefit plans	1,027	1,069
<b>Total accumulated other comprehensive income</b>	<b>(6,098)</b>	<b>(5,631)</b>
<b>Non-controlling interests</b>	<b>1,938</b>	<b>1,966</b>
<b>Total net assets</b>	<b>231,664</b>	<b>226,085</b>
<b>Total liabilities and net assets</b>	<b>406,732</b>	<b>430,084</b>

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Net sales	191,225	218,681
Cost of sales	152,227	175,764
Gross profit	38,998	42,917
Selling, general and administrative expenses	27,147	28,268
Operating profit	11,851	14,648
Non-operating income		
Interest income	3	2
Dividend income	25	20
House rent income	62	60
Share of profit of entities accounted for using equity method	150	227
Other	147	147
Total non-operating income	390	457
Non-operating expenses		
Interest expenses	13	12
Other	5	7
Total non-operating expenses	18	19
Ordinary profit	12,222	15,087
Extraordinary losses		
Loss on retirement of non-current assets	0	5
Total extraordinary losses	0	5
Profit before income taxes	12,222	15,082
Income taxes	4,030	4,911
Profit	8,192	10,170
Profit attributable to non-controlling interests	128	128
Profit attributable to owners of parent	8,064	10,042

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
Profit	8,192	10,170
Other comprehensive income		
Valuation difference on available-for-sale securities	398	405
Deferred gains or losses on hedges	(5)	29
Remeasurements of defined benefit plans, net of tax	12	42
Share of other comprehensive income of entities accounted for using equity method	(29)	1
Total other comprehensive income	376	479
Comprehensive income	8,569	10,650
(Breakdown)		
Comprehensive income attributable to owners of parent	8,447	10,509
Comprehensive income attributable to non-controlling interests	121	140

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2018	Three months ended March 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	12,222	15,082
Depreciation	1,487	1,580
Increase (decrease) in allowance for doubtful accounts	0	24
Interest and dividend income	(29)	(22)
Interest expenses	13	12
Share of loss (profit) of entities accounted for using equity method	(150)	(227)
Decrease (increase) in notes and accounts receivable - trade	(20,191)	(25,131)
Decrease (increase) in inventories	672	(1,727)
Increase (decrease) in notes and accounts payable - trade	20,548	25,133
Other, net	3,690	5,856
Subtotal	18,263	20,581
Interest and dividend income received	29	22
Interest expenses paid	(4)	(3)
Income taxes paid	(7,558)	(8,806)
Net cash provided by (used in) operating activities	10,729	11,794
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(614)	(106)
Purchase of software	(2,100)	(1,392)
Other, net	(84)	(69)
Net cash provided by (used in) investing activities	(2,800)	(1,569)
<b>Cash flows from financing activities</b>		
Cash dividends paid	(13,273)	(16,115)
Other, net	(103)	(112)
Net cash provided by (used in) financing activities	(13,376)	(16,228)
Effect of exchange rate change on cash and cash equivalents	(2)	6
Net increase (decrease) in cash and cash equivalents	(5,449)	(5,996)
Cash and cash equivalents at beginning of period	137,545	151,585
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(31)	—
Cash and cash equivalents at end of period	132,064	145,588



## **Segment Information**

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

Three months ended March 31, 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	117,273	73,952	191,225	—	191,225
Inter-segment sales/transfers	50	64	115	(115)	—
Total	117,323	74,016	191,340	(115)	191,225
Segment profit	10,434	3,679	14,113	(2,261)	11,851

Three months ended March 31, 2019

(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	142,502	76,179	218,681	—	218,681
Inter-segment sales/transfers	28	122	151	(151)	—
Total	142,531	76,301	218,833	(151)	218,681
Segment profit	12,622	4,361	16,984	(2,335)	14,648