

**Financial Report for the Nine 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: November 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 Nine months of the Fiscal Year 2019 (From January 1, 2019 to  
September 30, 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	667,098	17.8	46,227	35.6	47,387	35.3	32,239	35.3
September 30, 2018	566,125	9.6	34,091	2.7	35,035	2.9	23,835	1.8

Note) Comprehensive Income: Nine months ended September 30, 2019: 33,696 million yen [40.4%]  
 Nine months ended September 30, 2018: 24,005 million yen [(7.0)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
September 30, 2019	170.04	—
September 30, 2018	125.71	—

\* 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	%
September 30, 2019	446,593	249,132	55.3
December 31, 2018	406,732	231,664	56.5

Reference) Equity: As of September 30, 2019: 246,951 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	—	0.00	—		
Fiscal Year 2019 (forecast)				95.00	95.00

Note) Revision of the recently announced forecasts: Yes

## 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
Full-Year	840,000	10.5	55,800	16.1	57,000	15.7	38,450	14.4	202.79

- 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 September 30, 2019:	190,002,120 shares
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As of December 31, 2018:	190,002,120 shares
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2) Number of treasury shares at the end of the period:

As of September 30, 2019:	400,868 shares
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As of December 31, 2018:	400,868 shares
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3) Average number of shares during the period:

Nine months ended September 30, 2019:	189,601,252 shares
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Nine months ended September 30, 2018:	189,601,388 shares
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\* 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 September 30, 2019
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Assets		
Current assets		
Cash and deposits	150,888	162,156
Notes and accounts receivable - trade	132,352	145,059
Merchandise	25,721	36,706
Work in process	957	1,412
Raw materials and supplies	828	782
Other	20,833	22,866
Allowance for doubtful accounts	(113)	(113)
Total current assets	<hr/> 331,468	<hr/> 368,868
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,376	17,493
Other, net	19,253	19,086
Total property, plant and equipment	<hr/> 36,629	<hr/> 36,580
Intangible assets	13,789	14,362
Investments and other assets		
Investment securities	14,609	16,390
Other	10,422	10,611
Allowance for doubtful accounts	(187)	(221)
Total investments and other assets	<hr/> 24,844	<hr/> 26,781
Total non-current assets	<hr/> 75,263	<hr/> 77,724
Total assets	<hr/> 406,732	<hr/> 446,593

(Millions of yen)

As of December 31, 2018 As of September 30, 2019

	As of December 31, 2018	As of September 30, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	89,322	104,483
Electronically recorded obligations - operating	17,904	20,954
Short-term loans payable	4,800	4,800
Income taxes payable	9,326	7,389
Provision for bonuses	3,564	10,985
Other	36,408	34,796
<b>Total current liabilities</b>	<b>161,327</b>	<b>183,410</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,700	1,700
Provision for directors' retirement benefits	690	698
Net defined benefit liability	9,205	8,919
Other	2,144	2,733
<b>Total non-current liabilities</b>	<b>13,740</b>	<b>14,050</b>
<b>Total liabilities</b>	<b>175,067</b>	<b>197,461</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	225,459
Treasury shares	(139)	(139)
<b>Total shareholders' equity</b>	<b>235,825</b>	<b>251,949</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,544	5,531
Deferred gains or losses on hedges	(23)	(0)
Revaluation reserve for land	(11,650)	(11,650)
Foreign currency translation adjustment	3	(30)
Remeasurements of defined benefit plans	1,027	1,152
<b>Total accumulated other comprehensive income</b>	<b>(6,098)</b>	<b>(4,997)</b>
<b>Non-controlling interests</b>	<b>1,938</b>	<b>2,181</b>
<b>Total net assets</b>	<b>231,664</b>	<b>249,132</b>
<b>Total liabilities and net assets</b>	<b>406,732</b>	<b>446,593</b>

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net sales	566,125	667,098
Cost of sales	449,988	533,852
Gross profit	116,137	133,246
Selling, general and administrative expenses	82,045	87,019
Operating profit	34,091	46,227
Non-operating income		
Interest income	10	8
Dividend income	107	112
House rent income	186	187
Share of profit of entities accounted for using equity method	229	454
Other	452	442
Total non-operating income	986	1,206
Non-operating expenses		
Interest expenses	36	36
Other	6	9
Total non-operating expenses	43	46
Ordinary profit	35,035	47,387
Extraordinary income		
Gain on sales of non-current assets	96	—
Gain on sales of investment securities	—	27
Total extraordinary income	96	27
Extraordinary losses		
Loss on retirement of non-current assets	30	15
Other	2	2
Total extraordinary losses	33	17
Profit before income taxes	35,099	47,397
Income taxes	10,975	14,804
Profit	24,123	32,592
Profit attributable to non-controlling interests	288	352
Profit attributable to owners of parent	23,835	32,239

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit	24,123	32,592
Other comprehensive income		
Valuation difference on available-for-sale securities	(155)	983
Deferred gains or losses on hedges	13	28
Remeasurements of defined benefit plans, net of tax	38	126
Share of other comprehensive income of entities accounted for using equity method	(16)	(34)
Total other comprehensive income	(118)	1,104
Comprehensive income	24,005	33,696
(Breakdown)		
Comprehensive income attributable to owners of parent	23,665	33,341
Comprehensive income attributable to non-controlling interests	339	355

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	35,099	47,397
Depreciation	4,747	5,335
Increase (decrease) in allowance for doubtful accounts	(10)	33
Interest and dividend income	(118)	(121)
Interest expenses	36	36
Share of loss (profit) of entities accounted for using equity method	(229)	(454)
Loss on retirement of non-current assets	30	15
Loss (gain) on sales of non-current assets	(94)	—
Decrease (increase) in notes and accounts receivable - trade	3,318	(12,741)
Decrease (increase) in inventories	(2,321)	(11,392)
Increase (decrease) in notes and accounts payable - trade	4,444	18,210
Other, net	2,508	3,480
Subtotal	47,410	49,799
Interest and dividend income received	148	200
Interest expenses paid	(28)	(27)
Income taxes paid	(14,448)	(16,595)
Net cash provided by (used in) operating activities	33,083	33,375
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,098)	(1,525)
Proceeds from sales of property, plant and equipment	243	—
Purchase of software	(4,745)	(4,172)
Purchase of investment securities	(3,058)	(35)
Proceeds from sales of investment securities	—	29
Other, net	(18)	(85)
Net cash provided by (used in) investing activities	(9,676)	(5,789)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(100)	—
Cash dividends paid	(13,264)	(16,107)
Other, net	(105)	(112)
Net cash provided by (used in) financing activities	(13,470)	(16,220)
Effect of exchange rate change on cash and cash equivalents	(0)	6
Net increase (decrease) in cash and cash equivalents	9,935	11,371
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	147,449	162,957



## Segment Information

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

Nine months ended September 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	346,213	219,912	566,125	—	566,125
Inter-segment sales/transfers	72	308	381	(381)	—
Total	346,286	220,221	566,507	(381)	566,125
Segment profit	29,649	10,736	40,386	(6,294)	34,091

Nine months ended September 30, 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	437,284	229,814	667,098	—	667,098
Inter-segment sales/transfers	69	386	455	(455)	—
Total	437,353	230,200	667,554	(455)	667,098
Segment profit	40,433	12,369	52,802	(6,575)	46,227