

**Financial Report for the First Three Months of
the Fiscal Year Ending December 31, 2023 (Consolidated)
<Under Japanese GAAP>**

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

Listing: Tokyo Stock Exchange, Code 4768

Representative: Yuji Otsuka, President & Chief Executive Officer

Contact: Hironobu Saito, Managing Director & Executive Operating Officer (Tel: +81-3-3264-7111)

Scheduled date to file Quarterly Securities Report: May 12, 2023

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 2023 (From January 1, 2023 to March 31, 2023)

(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, 2023 | 242,609 | 15.5 | 16,875 | 22.4 | 17,431 | 21.6 | 11,591 | 10.2 |
| March 31, 2022 | 210,069 | (12.2) | 13,785 | (17.4) | 14,338 | (16.8) | 10,519 | (8.4) |

Note) Comprehensive Income: Three months ended March 31, 2023: 11,624 million yen [24.6%]
Three months ended March 31, 2022: 9,326 million yen [(28.1)%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| | yen | yen |
| Three months ended | | |
| March 31, 2023 | 61.14 | — |
| March 31, 2022 | 55.48 | — |

(2) Financial position

| | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of | | | |
| March 31, 2023 | 539,485 | 310,508 | 56.9 |
| December 31, 2022 | 523,016 | 322,732 | 61.1 |

Reference) Equity: As of March 31, 2023: 307,113 million yen
As of December 31, 2022: 319,388 million yen

2. Dividends

| | Annual dividends | | | | |
|--------------------------------|------------------|----------------|---------------|---------------|---------------|
| | First quarter | Second quarter | Third quarter | Year-end | Total |
| Fiscal Year 2022 | yen — | yen 0.00 | yen — | yen 125.00 | yen 125.00 |
| Fiscal Year 2023 | — | | | | |
| Fiscal Year 2023 (forecast) | | 0.00 | — | 130.00 | 130.00 |

Note) Revision of the recently announced forecasts: No

3. Financial Forecasts for the Fiscal Year 2023 (From January 1, 2023 to December 31, 2023)

(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, 2023 | 468,600 | 5.2 | 33,200 | 7.9 | 33,900 | 6.8 | 22,890 | 0.2 | 120.73 |
| Full-Year | 901,000 | 4.6 | 58,600 | 7.0 | 59,600 | 5.2 | 40,170 | 0.4 | 211.87 |

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.: Yes

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, 2023: | 190,002,120 shares |
|-----------------------|--------------------|

| | |
|--------------------------|--------------------|
| As of December 31, 2022: | 190,002,120 shares |
|--------------------------|--------------------|

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

| | |
|-----------------------|----------------|
| As of March 31, 2023: | 401,155 shares |
|-----------------------|----------------|

| | |
|--------------------------|----------------|
| As of December 31, 2022: | 401,081 shares |
|--------------------------|----------------|

3) Average number of shares during the period:

| | |
|------------------------------------|--------------------|
| Three months ended March 31, 2023: | 189,601,009 shares |
|------------------------------------|--------------------|

| | |
|------------------------------------|--------------------|
| Three months ended March 31, 2022: | 189,601,190 shares |
|------------------------------------|--------------------|

*** 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, 2022 | As of March 31, 2023 |
|--|-------------------------|----------------------|
| <hr/> | | |
| Assets | | |
| Current assets | | |
| Cash and deposits | 202,288 | 205,058 |
| Notes and accounts receivable - trade, and contract assets | 152,405 | 166,628 |
| Merchandise | 42,636 | 39,788 |
| Work in process | 1,435 | 1,378 |
| Raw materials and supplies | 759 | 732 |
| Other | 35,670 | 36,423 |
| Allowance for doubtful accounts | (83) | (99) |
| Total current assets | <hr/> 435,113 | <hr/> 449,910 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 14,868 | 14,851 |
| Other, net | 20,966 | 21,095 |
| Total property, plant and equipment | <hr/> 35,835 | <hr/> 35,947 |
| Intangible assets | 15,770 | 17,017 |
| Investments and other assets | | |
| Investment securities | 22,678 | 22,804 |
| Other | 13,759 | 13,925 |
| Allowance for doubtful accounts | (140) | (119) |
| Total investments and other assets | <hr/> 36,296 | <hr/> 36,610 |
| Total non-current assets | <hr/> 87,902 | <hr/> 89,575 |
| Total assets | <hr/> 523,016 | <hr/> 539,485 |

(Millions of yen)

| | As of December 31, 2022 | As of March 31, 2023 |
|--|-------------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 99,517 | 121,402 |
| Electronically recorded obligations - operating | 19,443 | 20,245 |
| Short-term borrowings | 4,400 | 4,400 |
| Current portion of long-term borrowings | 1,700 | 1,700 |
| Income taxes payable | 9,077 | 5,562 |
| Provision for bonuses | 3,885 | 10,451 |
| Other | 52,659 | 55,032 |
| Total current liabilities | 190,683 | 218,795 |
| Non-current liabilities | | |
| Provision for retirement benefits for directors (and other officers) | 721 | 616 |
| Retirement benefit liability | 6,360 | 6,950 |
| Other | 2,519 | 2,614 |
| Total non-current liabilities | 9,600 | 10,181 |
| Total liabilities | 200,283 | 228,976 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 10,374 | 10,374 |
| Capital surplus | 16,254 | 16,254 |
| Retained earnings | 288,660 | 276,552 |
| Treasury shares | (140) | (140) |
| Total shareholders' equity | 315,149 | 303,040 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,835 | 6,745 |
| Deferred gains or losses on hedges | (26) | (5) |
| Revaluation reserve for land | (6,141) | (6,141) |
| Foreign currency translation adjustment | 200 | 217 |
| Remeasurements of defined benefit plans | 3,371 | 3,255 |
| Total accumulated other comprehensive income | 4,239 | 4,072 |
| Non-controlling interests | 3,343 | 3,395 |
| Total net assets | 322,732 | 310,508 |
| Total liabilities and net assets | 523,016 | 539,485 |

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

| | Three months ended March 31, 2022 | Three months ended March 31, 2023 |
|---|--------------------------------------|--------------------------------------|
| Net sales | 210,069 | 242,609 |
| Cost of sales | 164,796 | 191,884 |
| Gross profit | 45,272 | 50,724 |
| Selling, general and administrative expenses | 31,486 | 33,849 |
| Operating profit | 13,785 | 16,875 |
| Non-operating income | | |
| Interest income | 2 | 4 |
| Dividend income | 45 | 35 |
| Rental income from buildings | 63 | 55 |
| Share of profit of entities accounted for using equity method | 298 | 351 |
| Other | 155 | 122 |
| Total non-operating income | 564 | 569 |
| Non-operating expenses | | |
| Interest expenses | 10 | 10 |
| Loss on investments in capital | — | 2 |
| Other | 0 | 0 |
| Total non-operating expenses | 11 | 13 |
| Ordinary profit | 14,338 | 17,431 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 460 | — |
| Gain on sale of investment securities | 687 | 118 |
| Total extraordinary income | 1,147 | 118 |
| Extraordinary losses | | |
| Loss on valuation of investment securities | — | 125 |
| Other | 0 | 0 |
| Total extraordinary losses | 0 | 125 |
| Profit before income taxes | 15,485 | 17,424 |
| Income taxes | 4,847 | 5,644 |
| Profit | 10,638 | 11,779 |
| Profit attributable to non-controlling interests | 119 | 187 |
| Profit attributable to owners of parent | 10,519 | 11,591 |

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Three months ended March 31, 2022 | Three months ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| Profit | 10,638 | 11,779 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,898) | (83) |
| Deferred gains or losses on hedges | 23 | 26 |
| Revaluation reserve for land | 616 | — |
| Remeasurements of defined benefit plans, net of tax | (100) | (117) |
| Share of other comprehensive income of entities accounted for using equity method | 47 | 18 |
| Total other comprehensive income | (1,312) | (155) |
| Comprehensive income | 9,326 | 11,624 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 9,205 | 11,424 |
| Comprehensive income attributable to non-controlling interests | 120 | 199 |

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | Three months ended March 31, 2022 | Three months ended March 31, 2023 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 15,485 | 17,424 |
| Depreciation | 1,957 | 1,973 |
| Increase (decrease) in allowance for doubtful accounts | (3) | 19 |
| Interest and dividend income | (47) | (40) |
| Interest expenses | 10 | 10 |
| Share of loss (profit) of entities accounted for using equity method | (298) | (351) |
| Loss (gain) on sale of non-current assets | (460) | — |
| Loss (gain) on sale of investment securities | (687) | (118) |
| Loss (gain) on valuation of investment securities | — | 125 |
| Decrease (increase) in trade receivables | (14,787) | (14,227) |
| Decrease (increase) in inventories | (2,570) | 2,933 |
| Increase (decrease) in trade payables | 21,733 | 22,688 |
| Other, net | 6,005 | 8,121 |
| Subtotal | 26,339 | 38,559 |
| Interest and dividends received | 48 | 40 |
| Interest paid | (2) | (2) |
| Income taxes paid | (8,186) | (8,764) |
| Net cash provided by (used in) operating activities | 18,198 | 29,832 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (247) | (1,768) |
| Proceeds from sale of property, plant and equipment | 969 | — |
| Purchase of software | (1,623) | (1,395) |
| Purchase of investment securities | (8) | (5) |
| Proceeds from sale of investment securities | 743 | 124 |
| Long-term loan advances | (150) | — |
| Other, net | (324) | (59) |
| Net cash provided by (used in) investing activities | (640) | (3,103) |
| Cash flows from financing activities | | |
| Dividends paid | (22,754) | (23,700) |
| Other, net | (153) | (147) |
| Net cash provided by (used in) financing activities | (22,908) | (23,847) |
| Effect of exchange rate change on cash and cash equivalents | 3 | 1 |
| Net increase (decrease) in cash and cash equivalents | (5,347) | 2,881 |
| Cash and cash equivalents at beginning of period | 205,746 | 203,274 |
| Cash and cash equivalents at end of period | 200,399 | 206,156 |

Segment Information

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

Three months ended March 31, 2022

(Millions of yen)

| | Reportable segments | | Total | Adjustment | Amount recorded in quarterly consolidated statements of income |
|-------------------------------|-----------------------------|------------------------------|---------|------------|--|
| | System Integration business | Service and Support business | | | |
| Net sales | | | | | |
| Outside customers sales | 130,382 | 79,687 | 210,069 | — | 210,069 |
| Inter-segment sales/transfers | 18 | 156 | 175 | (175) | — |
| Total | 130,400 | 79,843 | 210,244 | (175) | 210,069 |
| Segment profit | 12,953 | 3,237 | 16,190 | (2,404) | 13,785 |

Three months ended March 31, 2023

(Millions of yen)

| | Reportable segments | | Total | Adjustment | Amount recorded in quarterly consolidated statements of income |
|-------------------------------|-----------------------------|------------------------------|---------|------------|--|
| | System Integration business | Service and Support business | | | |
| Net sales | | | | | |
| Outside customers sales | 158,299 | 84,310 | 242,609 | — | 242,609 |
| Inter-segment sales/transfers | 22 | 113 | 136 | (136) | — |
| Total | 158,322 | 84,424 | 242,746 | (136) | 242,609 |
| Segment profit | 15,226 | 4,177 | 19,404 | (2,529) | 16,875 |