

**Financial Report for the First Six 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: August 9, 2023

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 2023 (From January 1, 2023 to June 30, 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	%
Six months ended								
June 30, 2023	521,056	17.0	36,712	19.3	37,623	18.5	25,417	11.2
June 30, 2022	445,336	(4.6)	30,778	(7.4)	31,747	(7.3)	22,848	(3.4)

Note) Comprehensive Income: Six months ended June 30, 2023: 25,923 million yen [23.4%]

Six months ended June 30, 2022: 21,001 million yen [(15.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
June 30, 2023	134.06	—
June 30, 2022	120.51	—

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	563,639	324,808	57.0
December 31, 2022	523,016	322,732	61.1

Reference) Equity: As of June 30, 2023: 321,271 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	—	0.00			
Fiscal Year 2023 (forecast)			—	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
Full-Year	954,000	10.8	62,200	13.6	63,400	11.9	42,700	6.7	225.21

- 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 June 30, 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 June 30, 2023:	401,155 shares
As of December 31, 2022:	401,081 shares
 - 3) Average number of shares during the period:

Six months ended June 30, 2023:	189,600,987 shares
Six months ended June 30, 2022:	189,601,184 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 June 30, 2023
<hr/>		
Assets		
Current assets		
Cash and deposits	202,288	225,877
Notes and accounts receivable - trade, and contract assets	152,405	169,544
Merchandise	42,636	37,131
Work in process	1,435	1,519
Raw materials and supplies	759	705
Other	35,670	38,578
Allowance for doubtful accounts	(83)	(100)
Total current assets	<hr/> 435,113	<hr/> 473,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,868	14,776
Other, net	20,966	20,873
Total property, plant and equipment	<hr/> 35,835	<hr/> 35,650
Intangible assets	15,770	15,825
Investments and other assets		
Investment securities	22,678	25,356
Other	13,759	13,680
Allowance for doubtful accounts	(140)	(130)
Total investments and other assets	<hr/> 36,296	<hr/> 38,907
Total non-current assets	<hr/> 87,902	<hr/> 90,382
Total assets	<hr/> 523,016	<hr/> 563,639

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	99,517	114,571
Electronically recorded obligations - operating	19,443	24,457
Short-term borrowings	4,400	6,100
Current portion of long-term borrowings	1,700	—
Income taxes payable	9,077	12,211
Provision for bonuses	3,885	4,674
Other	52,659	66,192
Total current liabilities	190,683	228,206
Non-current liabilities		
Provision for retirement benefits for directors(and other officers)	721	622
Retirement benefit liability	6,360	7,596
Other	2,519	2,406
Total non-current liabilities	9,600	10,624
Total liabilities	200,283	238,831
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	288,660	290,377
Treasury shares	(140)	(140)
Total shareholders' equity	315,149	316,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,835	7,082
Deferred gains or losses on hedges	(26)	28
Revaluation reserve for land	(6,141)	(6,141)
Foreign currency translation adjustment	200	307
Remeasurements of defined benefit plans	3,371	3,128
Total accumulated other comprehensive income	4,239	4,405
Non-controlling interests	3,343	3,536
Total net assets	322,732	324,808
Total liabilities and net assets	523,016	563,639

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	445,336	521,056
Cost of sales	350,840	414,769
Gross profit	94,496	106,287
Selling, general and administrative expenses	63,717	69,574
Operating profit	30,778	36,712
Non-operating income		
Interest income	7	9
Dividend income	141	201
Rental income from buildings	118	109
Share of profit of entities accounted for using equity method	459	448
Other	368	266
Total non-operating income	1,095	1,035
Non-operating expenses		
Interest expenses	22	21
Donations	100	100
Other	4	3
Total non-operating expenses	127	124
Ordinary profit	31,747	37,623
Extraordinary income		
Gain on sale of non-current assets	460	—
Gain on sale of investment securities	687	119
Total extraordinary income	1,147	119
Extraordinary losses		
Loss on valuation of investment securities	—	190
Other	15	15
Total extraordinary losses	15	205
Profit before income taxes	32,879	37,537
Income taxes	9,837	11,811
Profit	23,042	25,725
Profit attributable to non-controlling interests	193	308
Profit attributable to owners of parent	22,848	25,417

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	23,042	25,725
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,669)	262
Deferred gains or losses on hedges	58	67
Revaluation reserve for land	616	—
Remeasurements of defined benefit plans, net of tax	(200)	(234)
Share of other comprehensive income of entities accounted for using equity method	155	103
Total other comprehensive income	(2,040)	198
Comprehensive income	21,001	25,923
(Breakdown)		
Comprehensive income attributable to owners of parent	20,810	25,583
Comprehensive income attributable to non-controlling interests	191	340

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	32,879	37,537
Depreciation	4,114	3,901
Increase (decrease) in allowance for doubtful accounts	9	31
Interest and dividend income	(149)	(211)
Interest expenses	22	21
Share of loss (profit) of entities accounted for using equity method	(459)	(448)
Loss (gain) on sale of non-current assets	(460)	—
Loss (gain) on sale of investment securities	(687)	(116)
Loss (gain) on valuation of investment securities	—	190
Decrease (increase) in trade receivables	(19,201)	(17,153)
Decrease (increase) in inventories	(6,722)	5,476
Increase (decrease) in trade payables	19,260	20,067
Increase (decrease) in accrued expenses	11,564	12,363
Other, net	(558)	2,615
Subtotal	39,610	64,274
Interest and dividends received	208	286
Interest paid	(22)	(21)
Income taxes paid	(8,213)	(8,801)
Net cash provided by (used in) operating activities	31,583	55,738
Cash flows from investing activities		
Purchase of property, plant and equipment	(470)	(2,333)
Proceeds from sale of property, plant and equipment	969	—
Purchase of software	(2,943)	(3,652)
Purchase of investment securities	(2,689)	(2,028)
Proceeds from sale of investment securities	743	129
Long-term loan advances	(150)	—
Other, net	(272)	(138)
Net cash provided by (used in) investing activities	(4,812)	(8,024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(200)	1,700
Repayments of long-term borrowings	—	(1,700)
Dividends paid	(22,748)	(23,682)
Other, net	(153)	(147)
Net cash provided by (used in) financing activities	(23,102)	(23,830)
Effect of exchange rate change on cash and cash equivalents	4	7
Net increase (decrease) in cash and cash equivalents	3,673	23,891
Cash and cash equivalents at beginning of period	205,746	203,274
Cash and cash equivalents at end of period	209,419	227,165

Segment Information

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

Six months ended June 30, 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	287,037	158,299	445,336	—	445,336
Inter-segment sales/transfers	32	292	325	(325)	—
Total	287,070	158,592	445,662	(325)	445,336
Segment profit	27,898	7,582	35,480	(4,701)	30,778

Six months ended June 30, 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	350,303	170,753	521,056	—	521,056
Inter-segment sales/transfers	54	281	335	(335)	—
Total	350,358	171,034	521,392	(335)	521,056
Segment profit	32,578	9,232	41,810	(5,098)	36,712