

**Financial Report for the First Three Months of
the Fiscal Year Ending December 31, 2024 (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 13, 2024

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 2024 (From January 1, 2024 to March 31, 2024)

(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, 2024	266,664	9.9	17,242	2.2	17,641	1.2	11,679	0.8
March 31, 2023	242,609	15.5	16,875	22.4	17,431	21.6	11,591	10.2

Note) Comprehensive Income: Three months ended March 31, 2024: 12,065 million yen [3.8%]
Three months ended March 31, 2023: 11,624 million yen [24.6%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
Three months ended		
March 31, 2024	30.80	—
March 31, 2023	30.57	—

* The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2024. 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 2023). Basic earnings per share for the three months ended March 31, 2024 and the three months ended March 31, 2023, not considering the stock split, are 61.60 yen and 61.14 yen, respectively.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
March 31, 2024	590,358	333,227	55.8
December 31, 2023	561,805	346,950	61.1

Reference) Equity: As of March 31, 2024: 329,384 million yen
As of December 31, 2023: 343,112 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2023	yen —	yen 0.00	yen —	yen 135.00	yen 135.00
Fiscal Year 2024	—				
Fiscal Year 2024 (forecast)		0.00	—	70.00	70.00

Note) Revision of the recently announced forecasts: No

* The annual dividends per share for Fiscal Year 2024 (forecast) stated above indicate amounts calculated in consideration of the stock split described in "1. Financial Results." The annual dividends per share for Fiscal Year 2024 (forecast) not considering the stock split are 140.00 yen.

3. Financial Forecasts for the Fiscal Year 2024 (From January 1, 2024 to December 31, 2024)

(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, 2024	539,900	3.6	37,400	1.9	37,850	0.6	25,600	0.7	67.51
Full-Year	1,026,000	5.0	68,500	8.8	69,000	6.9	47,670	0.5	125.71

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 2024 stated above indicate amounts calculated in consideration of the stock split described in "1. Financial Results." Basic earnings per share for the six months ending June 30, 2024 and the full-year of Fiscal Year 2024, not considering the stock split, are 135.02 yen and 251.42 yen, respectively.

*** 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, 2024: 380,004,240 shares

As of December 31, 2023: 380,004,240 shares

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

As of March 31, 2024: 802,484 shares

As of December 31, 2023: 802,396 shares

3) Average number of shares during the period:

Three months ended March 31, 2024: 379,201,773 shares

Three months ended March 31, 2023: 379,202,017 shares

* 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 2023).

*** 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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	228,692	226,340
Notes and accounts receivable - trade, and contract assets	155,269	187,511
Merchandise	36,068	31,765
Work in process	1,413	1,315
Raw materials and supplies	755	757
Other	37,689	40,228
Allowance for doubtful accounts	(93)	(139)
Total current assets	459,794	487,778
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,831	13,789
Other, net	20,843	20,928
Total property, plant and equipment	34,674	34,717
Intangible assets	16,065	16,294
Investments and other assets		
Investment securities	26,306	26,916
Other	25,091	24,801
Allowance for doubtful accounts	(127)	(148)
Total investments and other assets	51,270	51,568
Total non-current assets	102,010	102,579
Total assets	561,805	590,358

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	105,485	144,437
Electronically recorded obligations - operating	19,831	21,116
Short-term borrowings	4,400	4,400
Income taxes payable	9,495	6,164
Provision for bonuses	4,480	11,845
Other	59,569	57,072
Total current liabilities	203,263	245,035
Non-current liabilities		
Long-term borrowings	1,700	1,700
Provision for retirement benefits for directors (and other officers)	644	642
Retirement benefit liability	6,961	7,529
Other	2,285	2,223
Total non-current liabilities	11,591	12,095
Total liabilities	214,854	257,131
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	311,537	297,619
Treasury shares	(141)	(141)
Total shareholders' equity	338,025	324,108
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,424	7,607
Deferred gains or losses on hedges	(35)	46
Revaluation reserve for land	(5,269)	(5,269)
Foreign currency translation adjustment	289	335
Remeasurements of defined benefit plans	2,678	2,557
Total accumulated other comprehensive income	5,087	5,276
Non-controlling interests	3,838	3,842
Total net assets	346,950	333,227
Total liabilities and net assets	561,805	590,358

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	242,609	266,664
Cost of sales	191,884	213,081
Gross profit	50,724	53,583
Selling, general and administrative expenses	33,849	36,340
Operating profit	16,875	17,242
Non-operating income		
Interest income	4	19
Dividend income	35	24
Share of profit of entities accounted for using equity method	351	294
Other	178	231
Total non-operating income	569	570
Non-operating expenses		
Interest expenses	10	10
Donations	—	155
Other	3	5
Total non-operating expenses	13	171
Ordinary profit	17,431	17,641
Extraordinary income		
Gain on sale of investment securities	118	—
Total extraordinary income	118	—
Extraordinary losses		
Loss on retirement of non-current assets	0	14
Loss on valuation of investment securities	125	—
Total extraordinary losses	125	14
Profit before income taxes	17,424	17,627
Income taxes	5,644	5,770
Profit	11,779	11,856
Profit attributable to non-controlling interests	187	177
Profit attributable to owners of parent	11,591	11,679

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit	11,779	11,856
Other comprehensive income		
Valuation difference on available-for-sale securities	(83)	175
Deferred gains or losses on hedges	26	99
Remeasurements of defined benefit plans, net of tax	(117)	(121)
Share of other comprehensive income of entities accounted for using equity method	18	55
Total other comprehensive income	(155)	209
Comprehensive income	11,624	12,065
(Breakdown)		
Comprehensive income attributable to owners of parent	11,424	11,868
Comprehensive income attributable to non-controlling interests	199	197

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	17,424	17,627
Depreciation	1,973	2,098
Increase (decrease) in allowance for doubtful accounts	19	66
Interest and dividend income	(40)	(44)
Interest expenses	10	10
Share of loss (profit) of entities accounted for using equity method	(351)	(294)
Loss on retirement of non-current assets	0	14
Loss (gain) on sale of investment securities	(118)	—
Loss (gain) on valuation of investment securities	125	—
Decrease (increase) in trade receivables	(14,227)	(32,263)
Decrease (increase) in inventories	2,933	4,399
Increase (decrease) in trade payables	22,688	40,235
Other, net	8,121	3,009
Subtotal	<u>38,559</u>	<u>34,857</u>
Interest and dividends received	40	33
Interest paid	(2)	(2)
Income taxes paid	(8,764)	(8,609)
Net cash provided by (used in) operating activities	<u>29,832</u>	<u>26,279</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,768)	(730)
Purchase of software	(1,395)	(1,643)
Purchase of investment securities	(5)	(5)
Proceeds from sale of investment securities	124	—
Other, net	(59)	(20)
Net cash provided by (used in) investing activities	<u>(3,103)</u>	<u>(2,400)</u>
Cash flows from financing activities		
Dividends paid	(23,700)	(25,599)
Other, net	(147)	(193)
Net cash provided by (used in) financing activities	<u>(23,847)</u>	<u>(25,793)</u>
Effect of exchange rate change on cash and cash equivalents	1	0
Net increase (decrease) in cash and cash equivalents	<u>2,881</u>	<u>(1,913)</u>
Cash and cash equivalents at beginning of period	<u>203,274</u>	<u>229,615</u>
Cash and cash equivalents at end of period	<u>206,156</u>	<u>227,701</u>

Segment Information

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

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

Three months ended March 31, 2024

(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	175,430	91,233	266,664	—	266,664
Inter-segment sales/transfers	11	211	223	(223)	—
Total	175,442	91,445	266,887	(223)	266,664
Segment profit	15,183	4,947	20,130	(2,888)	17,242