

**Financial Report for the Nine Months of  
the Fiscal Year Ending December 31, 2016 (Consolidated)  
<Under Japanese GAAP>**

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

Listing: The First Section of Tokyo Stock Exchange, Code 4768

Representative: Yuji Otsuka, President & Chief Executive Officer

Contact: Yasuhiro Wakamatsu, Managing Director & Operating Officer (Tel: +81-3-3264-7111)

Scheduled date to file Quarterly Securities Report: November 11, 2016

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 2016 (From January 1, 2016 to September 30, 2016)**

**(1) Results of operations** (Percentages indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2016	482,744	6.4	29,398	5.4	30,245	5.8	19,713	11.2
September 30, 2015	453,637	(2.1)	27,900	(2.3)	28,597	(2.5)	17,728	1.6

Notes) Comprehensive Income: Nine months ended September 30, 2016: 19,235 million yen [2.3%]

Nine months ended September 30, 2015: 18,797 million yen [5.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
September 30, 2016	207.94	—
September 30, 2015	187.00	—

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2016	327,069	184,102	55.9
December 31, 2015	324,755	174,402	53.3

Reference) Equity: As of September 30, 2016: 182,850 million yen; As of December 31, 2015: 173,229 million yen

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2015	—	0.00	—	100.00	100.00
Fiscal Year 2016	—	0.00	—		
Fiscal Year 2016 (forecast)				105.00	105.00

Note) Revision of the forecasts from recently announced figures: No

## 3. Financial Forecasts for the Fiscal Year 2016 (From January 1, 2016 to December 31, 2016)

(Percentages indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		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	639,000	4.9	40,000	7.2	40,500	5.9	25,180	6.2	265.61

Notes) 1. Revision of the forecasts from recently announced figures: 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 September 30, 2016: 95,001,060 shares

As of December 31, 2015: 95,001,060 shares

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

As of September 30, 2016: 200,227 shares

As of December 31, 2015: 200,104 shares

3) Average number of shares during the period:

Nine months ended September 30, 2016: 94,800,915 shares

Nine months ended September 30, 2015: 94,801,095 shares

**\* Indication regarding execution of quarterly review procedures**

**This quarterly financial report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the quarterly review procedures are in progress.**

**\* This financial report is an abridged translation from 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, 2015	As of September 30, 2016
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Assets		
Current assets		
Cash and deposits	100,676	114,077
Notes and accounts receivable - trade	105,055	96,006
Securities	6,900	—
Merchandise	19,499	24,255
Work in process	744	844
Raw materials and supplies	780	748
Other	22,160	21,900
Allowance for doubtful accounts	(135)	(106)
Total current assets	<u>255,679</u>	<u>257,726</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,131	20,098
Other, net	19,996	19,829
Total property, plant and equipment	<u>41,127</u>	<u>39,928</u>
Intangible assets	9,569	11,206
Investments and other assets		
Investment securities	11,013	10,563
Other	7,548	7,839
Allowance for doubtful accounts	(185)	(195)
Total investments and other assets	<u>18,377</u>	<u>18,207</u>
Total non-current assets	<u>69,075</u>	<u>69,343</u>
Total assets	<u>324,755</u>	<u>327,069</u>

(Millions of yen)

As of December 31, 2015 As of September 30, 2016

Liabilities		
Current liabilities		
Notes and accounts payable - trade	74,542	66,857
Electronically recorded obligations - operating	17,095	19,614
Short-term loans payable	6,700	5,000
Income taxes payable	7,916	3,530
Provision for bonuses	3,184	8,176
Other	30,085	27,539
Total current liabilities	139,523	130,717
Non-current liabilities		
Long-term loans payable	—	1,700
Provision for directors' retirement benefits	588	629
Net defined benefit liability	7,640	7,406
Asset retirement obligations	217	217
Other	2,383	2,297
Total non-current liabilities	10,829	12,249
Total liabilities	150,352	142,967
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	154,389	163,733
Treasury shares	(136)	(137)
Total shareholders' equity	180,881	190,225
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,617	4,302
Deferred gains or losses on hedges	—	(17)
Revaluation reserve for land	(14,055)	(13,160)
Foreign currency translation adjustment	25	(66)
Remeasurements of defined benefit plans	1,759	1,567
Total accumulated other comprehensive income	(7,652)	(7,375)
Non-controlling interests	1,173	1,251
Total net assets	174,402	184,102
Total liabilities and net assets	324,755	327,069

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Net sales	453,637	482,744
Cost of sales	353,226	378,207
Gross profit	100,411	104,536
Selling, general and administrative expenses	72,510	75,138
Operating income	27,900	29,398
Non-operating income		
Interest income	32	23
Dividend income	56	49
House rent income	190	190
Share of profit of entities accounted for using equity method	179	345
Other	280	284
Total non-operating income	739	893
Non-operating expenses		
Interest expenses	41	41
Other	0	4
Total non-operating expenses	42	46
Ordinary income	28,597	30,245
Extraordinary income		
Gain on sales of investment securities	130	—
Compensation income	34	—
Other	3	—
Total extraordinary income	168	—
Extraordinary losses		
Loss on retirement of non-current assets	22	6
Impairment loss	—	261
Other	—	29
Total extraordinary losses	22	297
Profit before income taxes	28,742	29,948
Income taxes	10,858	10,098
Profit	17,884	19,850
Profit attributable to non-controlling interests	155	137
Profit attributable to owners of parent	17,728	19,713

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Profit	17,884	19,850
Other comprehensive income		
Valuation difference on available-for-sale securities	1,301	(309)
Deferred gains or losses on hedges	—	(21)
Revaluation reserve for land	13	6
Remeasurements of defined benefit plans, net of tax	(369)	(192)
Share of other comprehensive income of entities accounted for using equity method	(31)	(98)
Total other comprehensive income	913	(615)
Comprehensive income	18,797	19,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,641	19,101
Comprehensive income attributable to non-controlling interests	155	133

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	28,742	29,948
Depreciation	4,295	4,399
Impairment loss	—	261
Increase (decrease) in allowance for doubtful accounts	(45)	(18)
Interest and dividend income	(88)	(72)
Interest expenses	41	41
Share of (profit) loss of entities accounted for using equity method	(179)	(345)
Loss (gain) on sales of investment securities	(130)	—
Compensation income	(34)	—
Loss on retirement of non-current assets	22	6
Decrease (increase) in notes and accounts receivable - trade	9,727	9,030
Decrease (increase) in inventories	(1,391)	(4,824)
Increase (decrease) in notes and accounts payable - trade	(3,103)	(5,166)
Other, net	(823)	1,203
Subtotal	<u>37,033</u>	<u>34,462</u>
Interest and dividend income received	182	146
Interest expenses paid	(30)	(33)
Proceeds from compensation	34	—
Income taxes paid	(13,893)	(14,602)
Net cash provided by (used in) operating activities	<u>23,324</u>	<u>19,972</u>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(800)	—
Purchase of property, plant and equipment	(1,261)	(1,034)
Proceeds from sales of property, plant and equipment	—	426
Purchase of software	(4,219)	(3,969)
Proceeds from sales of investment securities	140	—
Payments of long-term loans receivable	(68)	(0)
Collection of long-term loans receivable	10	21
Other, net	3	(7)
Net cash provided by (used in) investing activities	<u>(6,195)</u>	<u>(4,563)</u>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	—	(1,700)
Proceeds from long-term loans payable	—	1,700
Cash dividends paid	(8,527)	(9,475)
Other, net	(63)	(55)
Net cash provided by (used in) financing activities	<u>(8,591)</u>	<u>(9,531)</u>
Net increase (decrease) in cash and cash equivalents	<u>8,538</u>	<u>5,877</u>
Cash and cash equivalents at beginning of period	<u>97,943</u>	<u>109,587</u>
Cash and cash equivalents at end of period	<u>106,482</u>	<u>115,465</u>



## Segment Information

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

Nine months ended September 30, 2015

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	264,076	189,288	453,365	272	453,637	—	453,637
Inter-segment sales/transfers	63	231	294	140	435	(435)	—
Total	264,140	189,519	453,659	412	454,072	(435)	453,637
Segment profit	25,675	7,917	33,593	48	33,642	(5,741)	27,900

Nine months ended September 30, 2016

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	283,922	198,523	482,445	298	482,744	—	482,744
Inter-segment sales/transfers	36	198	235	99	334	(334)	—
Total	283,959	198,721	482,680	398	483,079	(334)	482,744
Segment profit	26,478	8,716	35,194	45	35,240	(5,841)	29,398