

**Financial Report for the Nine Months of  
the Fiscal Year Ending December 31, 2017 (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 13, 2017

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 2017 (From January 1, 2017 to  
September 30, 2017)**

**(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, 2017	516,528	7.0	33,200	12.9	34,055	12.6	23,410	18.8
September 30, 2016	482,744	6.4	29,398	5.4	30,245	5.8	19,713	11.2

Note) Comprehensive Income: Nine months ended September 30, 2017: 25,825 million yen [34.3%]

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

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
September 30, 2017	246.95	—
September 30, 2016	207.94	—

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2017	362,053	205,561	56.3
December 31, 2016	343,821	191,173	55.2

Reference) Equity: As of September 30, 2017: 204,012 million yen

As of December 31, 2016: 189,851 million yen

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2016	—	0.00	—	120.00	120.00
Fiscal Year 2017	—	0.00	—		
Fiscal Year 2017 (forecast)				120.00	120.00

Note) Revision of the recently announced forecasts: No

The year-end dividend per share for the fiscal year ended December 31, 2016 consists of:

Ordinary dividend per share: 110 yen

Commemorative dividend per share to mark the 55th anniversary of the Company's establishment: 10 yen

## 3. Financial Forecasts for the Fiscal Year 2017 (From January 1, 2017 to December 31, 2017)

(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	671,000	4.3	41,000	3.3	41,600	2.0	27,280	2.3	287.76

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, 2017: 95,001,060 shares

As of December 31, 2016: 95,001,060 shares

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

As of September 30, 2017: 200,227 shares

As of December 31, 2016: 200,227 shares

3) Average number of shares during the period:

Nine months ended September 30, 2017: 94,800,833 shares

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

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

**Quarterly financial reports are not subject to quarterly review procedures.**

**\* 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, 2016	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	116,946	134,532
Notes and accounts receivable - trade	109,985	107,168
Merchandise	25,169	25,356
Work in process	642	955
Raw materials and supplies	827	755
Other	21,785	23,046
Allowance for doubtful accounts	(119)	(108)
Total current assets	275,237	291,705
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,639	18,647
Other, net	19,498	19,262
Total property, plant and equipment	39,137	37,909
Intangible assets	11,260	11,747
Investments and other assets		
Investment securities	10,976	14,464
Other	7,397	6,378
Allowance for doubtful accounts	(188)	(152)
Total investments and other assets	18,185	20,690
Total non-current assets	68,583	70,347
Total assets	343,821	362,053

(Millions of yen)

As of December 31, 2016 As of September 30, 2017

Liabilities		
Current liabilities		
Notes and accounts payable - trade	76,783	75,104
Electronically recorded obligations - operating	16,891	19,878
Short-term loans payable	5,000	5,000
Income taxes payable	6,569	4,617
Provision for bonuses	3,267	8,778
Other	30,908	30,145
Total current liabilities	139,420	143,526
Non-current liabilities		
Long-term loans payable	1,700	1,700
Provision for directors' retirement benefits	646	629
Net defined benefit liability	8,456	8,115
Asset retirement obligations	215	213
Other	2,209	2,308
Total non-current liabilities	13,228	12,966
Total liabilities	152,648	156,492
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	170,572	181,730
Treasury shares	(137)	(137)
Total shareholders' equity	197,064	208,223
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,517	6,760
Deferred gains or losses on hedges	—	9
Revaluation reserve for land	(13,037)	(12,161)
Foreign currency translation adjustment	13	26
Remeasurements of defined benefit plans	1,293	1,154
Total accumulated other comprehensive income	(7,212)	(4,210)
Non-controlling interests	1,321	1,548
Total net assets	191,173	205,561
Total liabilities and net assets	343,821	362,053

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Net sales	482,744	516,528
Cost of sales	378,207	404,550
Gross profit	104,536	111,978
Selling, general and administrative expenses	75,138	78,778
Operating income	29,398	33,200
Non-operating income		
Interest income	23	14
Dividend income	49	78
House rent income	190	174
Share of profit of entities accounted for using equity method	345	239
Other	284	392
Total non-operating income	893	899
Non-operating expenses		
Interest expenses	41	36
Other	4	8
Total non-operating expenses	46	44
Ordinary income	30,245	34,055
Extraordinary income		
Gain on sales of non-current assets	—	107
Total extraordinary income	—	107
Extraordinary losses		
Loss on retirement of non-current assets	6	27
Impairment loss	261	—
Other	29	5
Total extraordinary losses	297	32
Profit before income taxes	29,948	34,130
Income taxes	10,098	10,474
Profit	19,850	23,656
Profit attributable to non-controlling interests	137	245
Profit attributable to owners of parent	19,713	23,410

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
Profit	19,850	23,656
Other comprehensive income		
Valuation difference on available-for-sale securities	(309)	2,283
Deferred gains or losses on hedges	(21)	11
Revaluation reserve for land	6	—
Remeasurements of defined benefit plans, net of tax	(192)	(143)
Share of other comprehensive income of entities accounted for using equity method	(98)	17
Total other comprehensive income	(615)	2,168
Comprehensive income	19,235	25,825
(Breakdown)		
Comprehensive income attributable to owners of parent	19,101	25,536
Comprehensive income attributable to non-controlling interests	133	288

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	29,948	34,130
Depreciation	4,399	4,584
Impairment loss	261	—
Increase (decrease) in allowance for doubtful accounts	(18)	(46)
Interest and dividend income	(72)	(92)
Interest expenses	41	36
Share of (profit) loss of entities accounted for using equity method	(345)	(239)
Loss on retirement of non-current assets	6	27
Loss (gain) on sales of non-current assets	—	(107)
Decrease (increase) in notes and accounts receivable - trade	9,030	2,853
Decrease (increase) in inventories	(4,824)	(428)
Increase (decrease) in notes and accounts payable - trade	(5,166)	1,308
Other, net	1,203	2,756
Subtotal	34,462	44,782
Interest and dividend income received	146	164
Interest expenses paid	(33)	(27)
Income taxes paid	(14,602)	(12,614)
Net cash provided by (used in) operating activities	19,972	32,304
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	—	300
Purchase of property, plant and equipment	(1,034)	(1,094)
Proceeds from sales of property, plant and equipment	426	900
Purchase of software	(3,969)	(3,568)
Collection of long-term loans receivable	21	18
Other, net	(8)	(200)
Net cash provided by (used in) investing activities	(4,563)	(3,643)
<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	(9,475)	(11,367)
Other, net	(55)	(60)
Net cash provided by (used in) financing activities	(9,531)	(11,427)
Effect of exchange rate change on cash and cash equivalents	—	(19)
Net increase (decrease) in cash and cash equivalents	5,877	17,213
Cash and cash equivalents at beginning of period	109,587	118,183
Cash and cash equivalents at end of period	115,465	135,397



## **Segment Information**

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

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 sales	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

Nine months ended September 30, 2017

(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 sales	306,921	209,329	516,250	277	516,528	—	516,528
Inter-segment sales/transfers	63	249	313	83	396	(396)	—
Total	306,985	209,579	516,564	361	516,925	(396)	516,528
Segment profit	28,996	10,212	39,208	38	39,247	(6,046)	33,200