

**Financial Report for the First Three Months of
the Fiscal Year Ending December 31, 2020 (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: May 14, 2020

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 2020 (From January 1, 2020 to March 31, 2020)

(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, 2020	224,329	2.6	16,147	10.2	16,484	9.3	10,882	8.4
March 31, 2019	218,681	14.4	14,648	23.6	15,087	23.4	10,042	24.5

Note) Comprehensive Income: Three months ended March 31, 2020: 8,002 million yen [(24.9)%]
Three months ended March 31, 2019: 10,650 million yen [24.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	yen	yen
March 31, 2020	57.40	—
March 31, 2019	52.97	—

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2020	452,969	248,627	54.4
December 31, 2019	461,812	261,622	56.2

Reference) Equity: As of March 31, 2020: 246,308 million yen
As of December 31, 2019: 259,328 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2019	yen —	yen 0.00	yen —	yen 110.00	yen 110.00
Fiscal Year 2020	—				
Fiscal Year 2020 (forecast)		0.00	—	115.00	115.00

Note) Revision of the recently announced forecasts: No

3. Financial Forecasts for the Fiscal Year 2020 (From January 1, 2020 to December 31, 2020)

(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, 2020	452,000	0.4	36,000	6.3	36,520	5.2	24,530	4.3	129.38
Full-Year	864,000	(2.5)	63,700	2.4	64,600	1.4	43,530	0.1	229.59

- 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 March 31, 2020:	190,002,120 shares
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As of December 31, 2019:	190,002,120 shares
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2) Number of treasury shares at the end of the period:

As of March 31, 2020:	400,908 shares
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As of December 31, 2019:	400,908 shares
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3) Average number of shares during the period:

Three months ended March 31, 2020:	189,601,212 shares
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Three months ended March 31, 2019:	189,601,252 shares
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*** 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, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	175,427	167,919
Notes and accounts receivable - trade	149,574	155,401
Merchandise	32,321	27,691
Work in process	1,470	1,184
Raw materials and supplies	754	742
Other	23,057	23,126
Allowance for doubtful accounts	(120)	(118)
Total current assets	382,485	375,946
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,750	16,593
Other, net	19,197	19,325
Total property, plant and equipment	35,947	35,918
Intangible assets	14,511	14,607
Investments and other assets		
Investment securities	17,358	13,050
Other	11,737	13,681
Allowance for doubtful accounts	(229)	(235)
Total investments and other assets	28,867	26,496
Total non-current assets	79,326	77,022
Total assets	461,812	452,969

(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,006	108,736
Electronically recorded obligations - operating	19,105	18,865
Short-term borrowings	4,800	4,800
Income taxes payable	13,270	5,587
Provision for bonuses	4,014	10,395
Other	42,918	40,987
Total current liabilities	186,115	189,372
Non-current liabilities		
Long-term borrowings	1,700	1,700
Provision for retirement benefits for directors	713	729
Retirement benefit liability	8,999	9,574
Other	2,661	2,965
Total non-current liabilities	14,074	14,969
Total liabilities	200,190	204,341
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	236,544	226,570
Treasury shares	(139)	(139)
Total shareholders' equity	263,034	253,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,117	3,038
Deferred gains or losses on hedges	2	1
Revaluation reserve for land	(11,402)	(11,402)
Foreign currency translation adjustment	7	(5)
Remeasurements of defined benefit plans	1,569	1,615
Total accumulated other comprehensive income	(3,705)	(6,752)
Non-controlling interests	2,293	2,319
Total net assets	261,622	248,627
Total liabilities and net assets	461,812	452,969

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net sales	218,681	224,329
Cost of sales	175,764	178,185
Gross profit	42,917	46,143
Selling, general and administrative expenses	28,268	29,996
Operating profit	14,648	16,147
Non-operating income		
Interest income	2	2
Dividend income	20	22
Rental income from buildings	60	65
Share of profit of entities accounted for using equity method	227	141
Other	147	117
Total non-operating income	457	349
Non-operating expenses		
Interest expenses	12	10
Other	7	1
Total non-operating expenses	19	12
Ordinary profit	15,087	16,484
Extraordinary income		
Gain on sales of investment securities	—	12
Total extraordinary income	—	12
Extraordinary losses		
Loss on retirement of non-current assets	5	9
Total extraordinary losses	5	9
Profit before income taxes	15,082	16,486
Income taxes	4,911	5,441
Profit	10,170	11,044
Profit attributable to non-controlling interests	128	162
Profit attributable to owners of parent	10,042	10,882

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Profit	10,170	11,044
Other comprehensive income		
Valuation difference on available-for-sale securities	405	(3,070)
Deferred gains or losses on hedges	29	(0)
Remeasurements of defined benefit plans, net of tax	42	45
Share of other comprehensive income of entities accounted for using equity method	1	(16)
Total other comprehensive income	479	(3,042)
Comprehensive income	10,650	8,002
(Breakdown)		
Comprehensive income attributable to owners of parent	10,509	7,835
Comprehensive income attributable to non-controlling interests	140	167

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	15,082	16,486
Depreciation	1,580	1,764
Increase (decrease) in allowance for doubtful accounts	24	4
Interest and dividend income	(22)	(24)
Interest expenses	12	10
Share of loss (profit) of entities accounted for using equity method	(227)	(141)
Decrease (increase) in trade receivables	(25,131)	(5,833)
Decrease (increase) in inventories	(1,727)	4,927
Increase (decrease) in trade payables	25,133	6,489
Other, net	5,856	4,623
Subtotal	20,581	28,309
Interest and dividends received	22	24
Interest paid	(3)	(2)
Income taxes paid	(8,806)	(12,617)
Net cash provided by (used in) operating activities	11,794	15,714
Cash flows from investing activities		
Purchase of property, plant and equipment	(106)	(795)
Purchase of software	(1,392)	(1,452)
Other, net	(69)	12
Net cash provided by (used in) investing activities	(1,569)	(2,234)
Cash flows from financing activities		
Dividends paid	(16,115)	(20,855)
Other, net	(112)	(140)
Net cash provided by (used in) financing activities	(16,228)	(20,996)
Effect of exchange rate change on cash and cash equivalents	6	(0)
Net increase (decrease) in cash and cash equivalents	(5,996)	(7,516)
Cash and cash equivalents at beginning of period	151,585	176,198
Cash and cash equivalents at end of period	145,588	168,681

Segment Information

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

Three months ended March 31, 2019

(Millions of yen)

	Reportable segment		Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	142,502	76,179	218,681	—	218,681
Inter-segment sales/transfers	28	122	151	(151)	—
Total	142,531	76,301	218,833	(151)	218,681
Segment profit	12,622	4,361	16,984	(2,335)	14,648

Three months ended March 31, 2020

(Millions of yen)

	Reportable segment		Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	144,594	79,734	224,329	—	224,329
Inter-segment sales/transfers	35	212	248	(248)	—
Total	144,629	79,947	224,577	(248)	224,329
Segment profit	14,426	4,170	18,596	(2,448)	16,147