

**Financial Report for the First Six 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: August 11, 2020

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 2020 (From January 1, 2020 to June 30, 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	%
Six months ended								
June 30, 2020	432,943	(3.8)	30,310	(10.5)	30,963	(10.8)	20,789	(11.6)
June 30, 2019	450,154	15.5	33,880	24.7	34,710	24.6	23,522	25.2

Note) Comprehensive Income: Six months ended June 30, 2020: 19,948 million yen [(22.6)%]

Six months ended June 30, 2019: 25,759 million yen [39.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
June 30, 2020	109.65	—
June 30, 2019	124.06	—

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2020	462,027	260,573	55.9
December 31, 2019	461,812	261,622	56.2

Reference) Equity: As of June 30, 2020: 258,111 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	—	0.00			
Fiscal Year 2020 (forecast)			—	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
Full-Year	839,000	(5.4)	63,700	2.4	64,600	1.4	43,530	0.1	229.59

- Notes) 1. Revision of the recently announced forecasts: Yes  
 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 June 30, 2020:	190,002,120 shares
As of December 31, 2019:	190,002,120 shares
  - 2) Number of treasury shares at the end of the period:

As of June 30, 2020:	400,908 shares
As of December 31, 2019:	400,908 shares
  - 3) Average number of shares during the period:

Six months ended June 30, 2020:	189,601,212 shares
Six months ended June 30, 2019:	189,601,252 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, 2019	As of June 30, 2020
<hr/>		
Assets		
Current assets		
Cash and deposits	175,427	190,699
Notes and accounts receivable - trade	149,574	134,920
Merchandise	32,321	32,817
Work in process	1,470	1,039
Raw materials and supplies	754	698
Other	23,057	23,179
Allowance for doubtful accounts	(120)	(100)
Total current assets	<hr/> 382,485	<hr/> 383,253
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,750	16,515
Other, net	19,197	19,541
Total property, plant and equipment	<hr/> 35,947	<hr/> 36,057
Intangible assets	14,511	14,812
Investments and other assets		
Investment securities	17,358	15,768
Other	11,737	12,375
Allowance for doubtful accounts	(229)	(240)
Total investments and other assets	<hr/> 28,867	<hr/> 27,904
Total non-current assets	<hr/> 79,326	<hr/> 78,774
Total assets	<hr/> 461,812	<hr/> 462,027

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	102,006	95,152
Electronically recorded obligations - operating	19,105	17,898
Short-term borrowings	4,800	4,800
Income taxes payable	13,270	10,465
Provision for bonuses	4,014	3,661
Other	42,918	54,003
<b>Total current liabilities</b>	<b>186,115</b>	<b>185,981</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,700	1,700
Provision for retirement benefits for directors	713	732
Retirement benefit liability	8,999	10,210
Other	2,661	2,829
<b>Total non-current liabilities</b>	<b>14,074</b>	<b>15,472</b>
<b>Total liabilities</b>	<b>200,190</b>	<b>201,453</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	236,544	236,477
Treasury shares	(139)	(139)
<b>Total shareholders' equity</b>	<b>263,034</b>	<b>262,967</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	6,117	4,875
Deferred gains or losses on hedges	2	—
Revaluation reserve for land	(11,402)	(11,402)
Foreign currency translation adjustment	7	9
Remeasurements of defined benefit plans	1,569	1,661
<b>Total accumulated other comprehensive income</b>	<b>(3,705)</b>	<b>(4,856)</b>
<b>Non-controlling interests</b>	<b>2,293</b>	<b>2,462</b>
<b>Total net assets</b>	<b>261,622</b>	<b>260,573</b>
<b>Total liabilities and net assets</b>	<b>461,812</b>	<b>462,027</b>

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	450,154	432,943
Cost of sales	359,271	344,294
Gross profit	90,882	88,648
Selling, general and administrative expenses	57,002	58,337
Operating profit	33,880	30,310
Non-operating income		
Interest income	5	5
Dividend income	114	105
Rental income from buildings	122	131
Share of profit of entities accounted for using equity method	295	202
Other	324	238
Total non-operating income	862	683
Non-operating expenses		
Interest expenses	24	21
Other	7	8
Total non-operating expenses	32	30
Ordinary profit	34,710	30,963
Extraordinary income		
Gain on sales of investment securities	—	12
Total extraordinary income	—	12
Extraordinary losses		
Loss on retirement of non-current assets	14	18
Other	2	—
Total extraordinary losses	16	18
Profit before income taxes	34,693	30,956
Income taxes	10,930	9,881
Profit	23,763	21,075
Profit attributable to non-controlling interests	241	285
Profit attributable to owners of parent	23,522	20,789

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	23,763	21,075
Other comprehensive income		
Valuation difference on available-for-sale securities	1,915	(1,214)
Deferred gains or losses on hedges	24	(2)
Remeasurements of defined benefit plans, net of tax	84	90
Share of other comprehensive income of entities accounted for using equity method	(28)	(0)
Total other comprehensive income	1,995	(1,126)
Comprehensive income	25,759	19,948
(Breakdown)		
Comprehensive income attributable to owners of parent	25,512	19,638
Comprehensive income attributable to non-controlling interests	246	309

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	34,693	30,956
Depreciation	3,499	3,627
Increase (decrease) in allowance for doubtful accounts	31	(8)
Interest and dividend income	(120)	(110)
Interest expenses	24	21
Share of loss (profit) of entities accounted for using equity method	(295)	(202)
Loss on retirement of non-current assets	14	18
Decrease (increase) in trade receivables	(23,709)	14,643
Decrease (increase) in inventories	(4,937)	(8)
Increase (decrease) in trade payables	22,360	(8,061)
Increase (decrease) in accrued expenses	11,059	11,130
Other, net	1,338	873
Subtotal	43,958	52,879
Interest and dividends received	119	135
Interest paid	(24)	(21)
Income taxes paid	(8,819)	(12,631)
Net cash provided by (used in) operating activities	35,233	40,362
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(596)	(1,481)
Purchase of software	(2,743)	(2,860)
Other, net	(89)	22
Net cash provided by (used in) investing activities	(3,429)	(4,319)
<b>Cash flows from financing activities</b>		
Dividends paid	(16,104)	(20,340)
Other, net	(112)	(140)
Net cash provided by (used in) financing activities	(16,217)	(20,481)
Effect of exchange rate change on cash and cash equivalents	5	(0)
Net increase (decrease) in cash and cash equivalents	15,592	15,560
Cash and cash equivalents at beginning of period	151,585	176,198
Cash and cash equivalents at end of period	167,178	191,758



## **Segment Information**

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

Six months ended June 30, 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	297,956	152,198	450,154	—	450,154
Inter-segment sales/transfers	38	261	299	(299)	—
Total	297,994	152,459	450,453	(299)	450,154
Segment profit	28,795	9,583	38,378	(4,498)	33,880

Six months ended June 30, 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	281,755	151,187	432,943	—	432,943
Inter-segment sales/transfers	40	406	447	(447)	—
Total	281,796	151,594	433,390	(447)	432,943
Segment profit	27,522	7,508	35,031	(4,720)	30,310