

**Financial Report for the Nine 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: November 12, 2020

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: Yes

(All amounts less than one million yen are rounded down)

1. Financial Results for the Nine months of the Fiscal Year 2020 (From January 1, 2020 to September 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2020	621,217	(6.9)	41,314	(10.6)	42,212	(10.9)	28,472	(11.7)
September 30, 2019	667,098	17.8	46,227	35.6	47,387	35.3	32,239	35.3

Note) Comprehensive Income: Nine months ended September 30, 2020: 28,246 million yen [(16.2)%]

Nine months ended September 30, 2019: 33,696 million yen [40.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
September 30, 2020	150.17	—
September 30, 2019	170.04	—

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2020	448,309	268,871	59.4
December 31, 2019	461,812	261,622	56.2

Reference) Equity: As of September 30, 2020: 266,263 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	830,000	(6.4)	57,300	(7.9)	58,400	(8.3)	39,380	(9.5)	207.70

- 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 September 30, 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 September 30, 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:

Nine months ended September 30, 2020:	189,601,212 shares
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Nine months ended September 30, 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 September 30, 2020
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Assets		
Current assets		
Cash and deposits	175,427	177,009
Notes and accounts receivable - trade	149,574	123,179
Merchandise	32,321	42,504
Work in process	1,470	1,244
Raw materials and supplies	754	730
Other	23,057	23,974
Allowance for doubtful accounts	(120)	(90)
Total current assets	<hr/> 382,485	<hr/> 368,552
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,750	16,450
Other, net	19,197	19,838
Total property, plant and equipment	<hr/> 35,947	<hr/> 36,289
Intangible assets	14,511	15,199
Investments and other assets		
Investment securities	17,358	16,545
Other	11,737	11,970
Allowance for doubtful accounts	(229)	(247)
Total investments and other assets	<hr/> 28,867	<hr/> 28,268
Total non-current assets	<hr/> 79,326	<hr/> 79,757
Total assets	<hr/> 461,812	<hr/> 448,309

(Millions of yen)

As of December 31, 2019 As of September 30, 2020

	As of December 31, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,006	89,584
Electronically recorded obligations - operating	19,105	20,399
Short-term borrowings	4,800	4,800
Income taxes payable	13,270	4,700
Provision for bonuses	4,014	9,051
Other	42,918	37,123
Total current liabilities	186,115	165,658
Non-current liabilities		
Long-term borrowings	1,700	1,700
Provision for retirement benefits for directors	713	747
Retirement benefit liability	8,999	8,660
Other	2,661	2,671
Total non-current liabilities	14,074	13,779
Total liabilities	200,190	179,438
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	236,544	244,160
Treasury shares	(139)	(139)
Total shareholders' equity	263,034	270,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,117	5,307
Deferred gains or losses on hedges	2	(4)
Revaluation reserve for land	(11,402)	(11,402)
Foreign currency translation adjustment	7	5
Remeasurements of defined benefit plans	1,569	1,706
Total accumulated other comprehensive income	(3,705)	(4,386)
Non-controlling interests	2,293	2,608
Total net assets	261,622	268,871
Total liabilities and net assets	461,812	448,309

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net sales	667,098	621,217
Cost of sales	533,852	492,397
Gross profit	133,246	128,820
Selling, general and administrative expenses	87,019	87,505
Operating profit	46,227	41,314
Non-operating income		
Interest income	8	8
Dividend income	112	117
Rental income from buildings	187	197
Share of profit of entities accounted for using equity method	454	273
Other	442	343
Total non-operating income	1,206	940
Non-operating expenses		
Interest expenses	36	33
Other	9	9
Total non-operating expenses	46	42
Ordinary profit	47,387	42,212
Extraordinary income		
Gain on sales of investment securities	27	12
Total extraordinary income	27	12
Extraordinary losses		
Loss on retirement of non-current assets	15	20
Other	2	—
Total extraordinary losses	17	20
Profit before income taxes	47,397	42,204
Income taxes	14,804	13,335
Profit	32,592	28,869
Profit attributable to non-controlling interests	352	396
Profit attributable to owners of parent	32,239	28,472

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Profit	32,592	28,869
Other comprehensive income		
Valuation difference on available-for-sale securities	983	(746)
Deferred gains or losses on hedges	28	(7)
Remeasurements of defined benefit plans, net of tax	126	135
Share of other comprehensive income of entities accounted for using equity method	(34)	(4)
Total other comprehensive income	1,104	(622)
Comprehensive income	33,696	28,246
(Breakdown)		
Comprehensive income attributable to owners of parent	33,341	27,790
Comprehensive income attributable to non-controlling interests	355	455

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	47,397	42,204
Depreciation	5,335	5,571
Increase (decrease) in allowance for doubtful accounts	33	(11)
Interest and dividend income	(121)	(125)
Interest expenses	36	33
Share of loss (profit) of entities accounted for using equity method	(454)	(273)
Loss on retirement of non-current assets	15	20
Decrease (increase) in trade receivables	(12,741)	26,376
Decrease (increase) in inventories	(11,392)	(9,932)
Increase (decrease) in trade payables	18,210	(11,128)
Other, net	3,480	(1,852)
Subtotal	49,799	50,880
Interest and dividends received	200	278
Interest paid	(27)	(24)
Income taxes paid	(16,595)	(21,468)
Net cash provided by (used in) operating activities	33,375	29,665
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,525)	(2,448)
Purchase of software	(4,172)	(4,467)
Proceeds from sales of investment securities	29	27
Other, net	(120)	(141)
Net cash provided by (used in) investing activities	(5,789)	(7,028)
Cash flows from financing activities		
Dividends paid	(16,107)	(20,846)
Other, net	(112)	(140)
Net cash provided by (used in) financing activities	(16,220)	(20,986)
Effect of exchange rate change on cash and cash equivalents	6	(0)
Net increase (decrease) in cash and cash equivalents	11,371	1,649
Cash and cash equivalents at beginning of period	151,585	176,198
Cash and cash equivalents at end of period	162,957	177,848

Segment Information

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

Nine months ended September 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	437,284	229,814	667,098	—	667,098
Inter-segment sales/transfers	69	386	455	(455)	—
Total	437,353	230,200	667,554	(455)	667,098
Segment profit	40,433	12,369	52,802	(6,575)	46,227

Nine months ended September 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	393,182	228,035	621,217	—	621,217
Inter-segment sales/transfers	193	589	782	(782)	—
Total	393,376	228,624	622,000	(782)	621,217
Segment profit	37,804	10,403	48,208	(6,893)	41,314