

## Financial Report for the Fiscal Year Ended 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 of Ordinary General Meeting of Shareholders: March 26, 2021  
 Scheduled date to commence dividend payments: March 29, 2021  
 Scheduled date to file Securities Report: March 26, 2021  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results presentation meeting: Yes (for analysts)

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

#### 1. Financial Results for the Fiscal Year 2020 (From January 1, 2020 to December 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	%
Fiscal Year 2020	836,323	(5.7)	56,309	(9.5)	57,550	(9.7)	39,309	(9.6)
Fiscal Year 2019	886,536	16.7	62,192	29.4	63,706	29.3	43,497	29.4

Note) Comprehensive Income: Fiscal Year 2020: 39,410 million yen [(14.7)%]  
 Fiscal Year 2019: 46,186 million yen [49.6%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	yen	yen	%	%	%
Fiscal Year 2020	207.33	—	14.6	12.3	6.7
Fiscal Year 2019	229.42	—	17.8	14.7	7.0

Reference) Share of profit (loss) of entities accounted for using equity method: Fiscal Year 2020: 390 million yen  
 Fiscal Year 2019: 572 million yen

##### (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
December 31, 2020	471,292	280,035	58.8	1,462.80
December 31, 2019	461,812	261,622	56.2	1,367.76

Reference) Equity: As of December 31, 2020: 277,348 million yen  
 As of December 31, 2019: 259,328 million yen

### (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2020	32,496	(8,716)	(20,988)	178,988
Fiscal Year 2019	48,762	(7,934)	(16,221)	176,198

### 2. Dividends

	Annual dividends					Total dividend payments (total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Fiscal Year 2019	—	0.00	—	110.00	110.00	20,856	47.9	8.5
Fiscal Year 2020	—	0.00	—	115.00	115.00	21,804	55.5	8.1
Fiscal Year 2021 (forecast)	—	0.00	—	120.00	120.00		57.5	

Note) The year-end dividend per share for the fiscal year 2021 (forecast) includes commemorative dividend of 5 yen per share to mark the 60th anniversary of the Company's establishment.

### 3. Financial Forecasts for the Fiscal Year 2021 (From January 1, 2021 to December 31, 2021)

(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, 2021	449,950	3.9	32,000	5.6	32,500	5.0	21,680	4.3	114.35
Full-Year	865,000	3.4	58,100	3.2	59,000	2.5	39,550	0.6	208.60

Note) 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) 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

(3) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares):

As of December 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 December 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:

Fiscal Year 2020:	189,601,212 shares
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Fiscal Year 2019:	189,601,242 shares
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**\* Financial reports are not subject to audit 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.**

## Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	175,427	178,072
Notes and accounts receivable - trade	149,574	145,033
Merchandise	32,321	42,011
Work in process	1,470	1,409
Raw materials and supplies	754	776
Other	23,057	24,320
Allowance for doubtful accounts	(120)	(100)
Total current assets	382,485	391,523
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,933	59,177
Accumulated depreciation and impairment loss	(42,183)	(42,738)
Buildings and structures, net	16,750	16,439
Land	15,351	15,345
Other	12,683	13,058
Accumulated depreciation and impairment loss	(8,838)	(8,613)
Other, net	3,845	4,444
Total property, plant and equipment	35,947	36,229
Intangible assets		
Software	14,452	15,072
Other	59	59
Total intangible assets	14,511	15,131
Investments and other assets		
Investment securities	17,358	16,895
Guarantee deposits	2,428	2,337
Deferred tax assets	6,895	7,087
Other	2,414	2,297
Allowance for doubtful accounts	(229)	(209)
Total investments and other assets	28,867	28,407
Total non-current assets	79,326	79,768
Total assets	461,812	471,292

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	102,006	96,437
Electronically recorded obligations - operating	19,105	18,822
Short-term borrowings	4,800	4,800
Income taxes payable	13,270	9,367
Advances received	14,742	16,253
Provision for bonuses	4,014	3,844
Other	28,176	27,314
<b>Total current liabilities</b>	<b>186,115</b>	<b>176,839</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,700	1,700
Lease obligations	1,583	1,519
Provision for retirement benefits for directors	713	762
Retirement benefit liability	8,999	9,336
Other	1,077	1,098
<b>Total non-current liabilities</b>	<b>14,074</b>	<b>14,416</b>
<b>Total liabilities</b>	<b>200,190</b>	<b>191,256</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	254,997
Treasury shares	(139)	(139)
<b>Total shareholders' equity</b>	<b>263,034</b>	<b>281,487</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	6,117	5,527
Deferred gains or losses on hedges	2	(5)
Revaluation reserve for land	(11,402)	(11,402)
Foreign currency translation adjustment	7	15
Remeasurements of defined benefit plans	1,569	1,725
<b>Total accumulated other comprehensive income</b>	<b>(3,705)</b>	<b>(4,139)</b>
<b>Non-controlling interests</b>	<b>2,293</b>	<b>2,687</b>
<b>Total net assets</b>	<b>261,622</b>	<b>280,035</b>
<b>Total liabilities and net assets</b>	<b>461,812</b>	<b>471,292</b>

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

### Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2019 (Year ended December 31, 2019)	Fiscal Year 2020 (Year ended December 31, 2020)
Net sales	886,536	836,323
Cost of sales	706,537	662,598
Gross profit	179,999	173,725
Selling, general and administrative expenses	117,806	117,415
Operating profit	62,192	56,309
Non-operating income		
Interest income	10	10
Dividend income	186	181
Rental income from buildings	253	262
Income from recycling	207	126
Share of profit of entities accounted for using equity method	572	390
Foreign exchange gains	151	118
Other	189	205
Total non-operating income	1,571	1,296
Non-operating expenses		
Interest expenses	47	44
Other	10	10
Total non-operating expenses	58	55
Ordinary profit	63,706	57,550
Extraordinary income		
Gain on sales of investment securities	34	225
Total extraordinary income	34	225
Extraordinary losses		
Loss on retirement of non-current assets	73	46
Impairment loss	967	143
Other	31	2
Total extraordinary losses	1,072	191
Profit before income taxes	62,668	57,584
Income taxes-current	20,331	17,786
Income taxes-deferred	(1,625)	(12)
Total Income taxes	18,706	17,774
Profit	43,962	39,809
Profit attributable to non-controlling interests	465	500
Profit attributable to owners of parent	43,497	39,309

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year 2019 (Year ended December 31, 2019)	Fiscal Year 2020 (Year ended December 31, 2020)
Profit	43,962	39,809
Other comprehensive income		
Valuation difference on available-for-sale securities	1,565	(553)
Deferred gains or losses on hedges	31	(9)
Revaluation reserve for land	76	—
Remeasurements of defined benefit plans, net of tax	556	155
Share of other comprehensive income of entities accounted for using equity method	(5)	8
Total other comprehensive income	2,223	(399)
Comprehensive income	46,186	39,410
(Breakdown)		
Comprehensive income attributable to owners of parent	45,718	38,875
Comprehensive income attributable to non-controlling interests	467	535

## Consolidated Statements of Changes in Net Assets

Fiscal Year 2019 (Year ended December 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,374	16,254	209,335	(139)	235,825
Changes during period					
Dividends of surplus			(16,116)		(16,116)
Profit attributable to owners of parent			43,497		43,497
Reversal of revaluation reserve for land			(172)		(172)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	27,208	(0)	27,208
Balance at end of period	10,374	16,254	236,544	(139)	263,034

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,544	(23)	(11,650)	3	1,027	(6,098)	1,938	231,664
Changes during period								
Dividends of surplus								(16,116)
Profit attributable to owners of parent								43,497
Reversal of revaluation reserve for land								(172)
Purchase of treasury shares								(0)
Net changes in items other than shareholders' equity	1,573	25	248	4	542	2,393	355	2,748
Total changes during period	1,573	25	248	4	542	2,393	355	29,957
Balance at end of period	6,117	2	(11,402)	7	1,569	(3,705)	2,293	261,622



Fiscal Year 2020 (Year ended December 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,374	16,254	236,544	(139)	263,034
Changes during period					
Dividends of surplus			(20,856)		(20,856)
Profit attributable to owners of parent			39,309		39,309
Net changes in items other than shareholders' equity					
Total changes during period	—	—	18,453	—	18,453
Balance at end of period	10,374	16,254	254,997	(139)	281,487

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,117	2	(11,402)	7	1,569	(3,705)	2,293	261,622
Changes during period								
Dividends of surplus								(20,856)
Profit attributable to owners of parent								39,309
Net changes in items other than shareholders' equity	(590)	(7)		8	155	(434)	394	(39)
Total changes during period	(590)	(7)	—	8	155	(434)	394	18,413
Balance at end of period	5,527	(5)	(11,402)	15	1,725	(4,139)	2,687	280,035

## Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2019 (Year ended December 31, 2019)	Fiscal Year 2020 (Year ended December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	62,668	57,584
Depreciation	7,228	7,603
Impairment loss	967	143
Increase (decrease) in allowance for doubtful accounts	48	(39)
Interest and dividend income	(197)	(191)
Interest expenses	47	44
Share of loss (profit) of entities accounted for using equity method	(572)	(390)
Loss on retirement of non-current assets	73	46
Decrease (increase) in trade receivables	(17,263)	4,560
Decrease (increase) in inventories	(7,038)	(9,651)
Increase (decrease) in trade payables	13,884	(5,853)
Loss (gain) on sales of investment securities	(34)	(225)
Other, net	5,281	35
Subtotal	65,093	53,666
Interest and dividends received	276	344
Interest paid	(47)	(44)
Income taxes paid	(16,559)	(21,470)
Net cash provided by (used in) operating activities	48,762	32,496
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,152)	(2,970)
Purchase of software	(5,707)	(5,893)
Purchase of investment securities	(43)	(175)
Proceeds from sales of investment securities	65	299
Other, net	(96)	23
Net cash provided by (used in) investing activities	(7,934)	(8,716)
Cash flows from financing activities		
Dividends paid	(16,109)	(20,847)
Other, net	(112)	(140)
Net cash provided by (used in) financing activities	(16,221)	(20,988)
Effect of exchange rate change on cash and cash equivalents	6	(1)
Net increase (decrease) in cash and cash equivalents	24,612	2,789
Cash and cash equivalents at beginning of period	151,585	176,198
Cash and cash equivalents at end of period	176,198	178,988

## **Segment Information**

### **1. Overview of reportable segments**

The reportable segments of the Companies are periodically examined by the Board of Directors for the purpose of deciding the allocation of business resources and evaluating the operating results. The Companies' main businesses are "System Integration," whose business fields encompass the construction of information systems and their cutover, and "Service and Support," which has support following the cutover of systems as its business field.

Therefore, the Companies are composed of two reportable segments, "System Integration business" and "Service and Support business."

The details of the two segments are as follows. The "System Integration business" provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. The "Service and Support business" provides customers with services such as distributing supplies, hardware and software maintenance, telephone support and outsourcing to support the installed systems and their business operations, totally.

### **2. Information concerning net sales, segment profit/loss, segment assets and other items by reportable segment**

Fiscal Year 2019 (Year ended December 31, 2019)

(Millions of yen)

	Reportable segment		Total	Adjustment	Amount recorded in consolidated financial statements
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	578,698	307,837	886,536	—	886,536
Inter-segment sales/transfers	95	549	644	(644)	—
Total	578,794	308,387	887,181	(644)	886,536
Segment profit	55,265	15,746	71,012	(8,819)	62,192
Segment assets	172,739	111,205	283,944	177,867	461,812
Other items					
Depreciation	3,452	2,870	6,322	905	7,228
Investments in affiliates accounted for using equity method	908	5,263	6,172	—	6,172
Increase in property, plant and equipment and intangible assets	3,448	4,341	7,790	70	7,860

Fiscal Year 2020 (Year ended December 31, 2020)

(Millions of yen)

	Reportable segment		Total	Adjustment	Amount recorded in consolidated financial statements
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	526,613	309,710	836,323	—	836,323
Inter-segment sales/transfers	271	774	1,046	(1,046)	—
Total	526,885	310,484	837,370	(1,046)	836,323
Segment profit	50,965	14,443	65,409	(9,100)	56,309
Segment assets	172,178	116,977	289,155	182,136	471,292
Other items					
Depreciation	3,524	3,233	6,758	845	7,603
Investments in affiliates accounted for using equity method	979	5,435	6,414	—	6,414
Increase in property, plant and equipment and intangible assets	4,486	3,811	8,298	566	8,864