

**Financial Report for the First Six Months of
the Fiscal Year Ending December 31, 2021 (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: Hironobu Saito, Managing Director & Executive Operating Officer (Tel: +81-3-3264-7111)

Scheduled date to file Quarterly Securities Report: August 11, 2021

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 2021 (From January 1, 2021 to June 30, 2021)

(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, 2021	466,625	7.8	33,246	9.7	34,245	10.6	23,657	13.8
June 30, 2020	432,943	(3.8)	30,310	(10.5)	30,963	(10.8)	20,789	(11.6)

Note) Comprehensive Income: Six months ended June 30, 2021: 24,924 million yen [24.9%]
Six months ended June 30, 2020: 19,948 million yen [(22.6)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
June 30, 2021	124.78	—
June 30, 2020	109.65	—

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	499,159	282,996	56.1
December 31, 2020	471,292	280,035	58.8

Reference) Equity: As of June 30, 2021: 280,215 million yen
As of December 31, 2020: 277,348 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2020	yen —	yen 0.00	yen —	yen 115.00	yen 115.00
Fiscal Year 2021	—	0.00			
Fiscal Year 2021 (forecast)			—	120.00	120.00

- Notes) 1. Revision of the recently announced forecasts: No
 2. 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
Full-Year	881,000	5.3	59,300	5.3	60,700	5.5	41,500	5.6	218.88

- 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, 2021:	190,002,120 shares
As of December 31, 2020:	190,002,120 shares
 - 2) Number of treasury shares at the end of the period:

As of June 30, 2021:	400,908 shares
As of December 31, 2020:	400,908 shares
 - 3) Average number of shares during the period:

Six months ended June 30, 2021:	189,601,212 shares
Six months ended June 30, 2020:	189,601,212 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, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	178,072	209,561
Notes and accounts receivable - trade	145,033	143,629
Merchandise	42,011	34,885
Work in process	1,409	1,029
Raw materials and supplies	776	699
Other	24,320	26,084
Allowance for doubtful accounts	(100)	(100)
Total current assets	391,523	415,790
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,439	15,702
Other, net	19,790	21,872
Total property, plant and equipment	36,229	37,574
Intangible assets	15,131	15,193
Investments and other assets		
Investment securities	16,895	19,390
Other	11,722	11,337
Allowance for doubtful accounts	(209)	(128)
Total investments and other assets	28,407	30,599
Total non-current assets	79,768	83,368
Total assets	471,292	499,159

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	96,437	102,629
Electronically recorded obligations - operating	18,822	23,282
Short-term borrowings	4,800	4,800
Income taxes payable	9,367	11,446
Provision for bonuses	3,844	4,292
Other	43,568	54,081
Total current liabilities	176,839	200,532
Non-current liabilities		
Long-term borrowings	1,700	1,700
Provision for retirement benefits for directors	762	670
Retirement benefit liability	9,336	10,592
Other	2,618	2,667
Total non-current liabilities	14,416	15,630
Total liabilities	191,256	216,162
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	254,997	256,851
Treasury shares	(139)	(139)
Total shareholders' equity	281,487	283,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,527	6,743
Deferred gains or losses on hedges	(5)	3
Revaluation reserve for land	(11,402)	(11,402)
Foreign currency translation adjustment	15	92
Remeasurements of defined benefit plans	1,725	1,436
Total accumulated other comprehensive income	(4,139)	(3,125)
Non-controlling interests	2,687	2,781
Total net assets	280,035	282,996
Total liabilities and net assets	471,292	499,159

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	432,943	466,625
Cost of sales	344,294	372,346
Gross profit	88,648	94,279
Selling, general and administrative expenses	58,337	61,032
Operating profit	30,310	33,246
Non-operating income		
Interest income	5	6
Dividend income	105	116
Rental income from buildings	131	131
Share of profit of entities accounted for using equity method	202	545
Other	238	224
Total non-operating income	683	1,025
Non-operating expenses		
Interest expenses	21	22
Other	8	3
Total non-operating expenses	30	26
Ordinary profit	30,963	34,245
Extraordinary income		
Gain on sales of non-current assets	—	885
Gain on sales of investment securities	12	5
Total extraordinary income	12	890
Extraordinary losses		
Loss on retirement of non-current assets	18	31
Impairment loss	—	169
Other	—	0
Total extraordinary losses	18	200
Profit before income taxes	30,956	34,935
Income taxes	9,881	11,002
Profit	21,075	23,932
Profit attributable to non-controlling interests	285	275
Profit attributable to owners of parent	20,789	23,657

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Profit	21,075	23,932
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,214)	1,189
Deferred gains or losses on hedges	(2)	11
Remeasurements of defined benefit plans, net of tax	90	(292)
Share of other comprehensive income of entities accounted for using equity method	(0)	83
Total other comprehensive income	(1,126)	992
Comprehensive income	19,948	24,924
(Breakdown)		
Comprehensive income attributable to owners of parent	19,638	24,671
Comprehensive income attributable to non-controlling interests	309	253

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	30,956	34,935
Depreciation	3,627	4,008
Impairment loss	—	169
Increase (decrease) in allowance for doubtful accounts	(8)	(81)
Interest and dividend income	(110)	(122)
Interest expenses	21	22
Share of loss (profit) of entities accounted for using equity method	(202)	(545)
Loss on retirement of non-current assets	18	31
Loss (gain) on sales of non-current assets	—	(885)
Loss (gain) on sales of investment securities	(12)	(5)
Decrease (increase) in trade receivables	14,643	1,486
Decrease (increase) in inventories	(8)	7,582
Increase (decrease) in trade payables	(8,061)	10,652
Increase (decrease) in accrued expenses	11,130	11,844
Other, net	886	(1,283)
Subtotal	52,879	67,808
Interest and dividends received	135	144
Interest paid	(21)	(21)
Income taxes paid	(12,631)	(8,993)
Net cash provided by (used in) operating activities	40,362	58,938
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,481)	(3,442)
Proceeds from sales of property, plant and equipment	—	1,492
Purchase of software	(2,860)	(2,711)
Purchase of investment securities	(6)	(182)
Proceeds from sales of investment securities	27	5
Other, net	1	(225)
Net cash provided by (used in) investing activities	(4,319)	(5,064)
Cash flows from financing activities		
Dividends paid	(20,340)	(21,792)
Other, net	(140)	(159)
Net cash provided by (used in) financing activities	(20,481)	(21,952)
Effect of exchange rate change on cash and cash equivalents	(0)	2
Net increase (decrease) in cash and cash equivalents	15,560	31,924
Cash and cash equivalents at beginning of period	176,198	178,988
Cash and cash equivalents at end of period	191,758	210,912

Segment Information

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

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

Six months ended June 30, 2021

(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	302,246	164,379	466,625	—	466,625
Inter-segment sales/transfers	35	406	442	(442)	—
Total	302,281	164,786	467,067	(442)	466,625
Segment profit	29,429	8,424	37,853	(4,607)	33,246