

**Financial Report for the First Three Months of  
the Fiscal Year Ending December 31, 2022 (Consolidated)  
<Under Japanese GAAP>**

**OTSUKA CORPORATION (URL: <https://www.otsuka-shokai.co.jp/>)**

Listing: 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: May 12, 2022

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 2022 (From January 1, 2022 to March 31, 2022)**

**(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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	210,069	(12.2)	13,785	(17.4)	14,338	(16.8)	10,519	(8.4)
March 31, 2021	239,350	6.7	16,699	3.4	17,238	4.6	11,486	5.6

Note) Comprehensive Income: Three months ended March 31, 2022: 9,326 million yen [(28.1)%]  
Three months ended March 31, 2021: 12,978 million yen [62.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	yen	yen
March 31, 2022	55.48	—
March 31, 2021	60.58	—

Note) Since the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 on March 31, 2020), etc. are applying from the beginning of the fiscal year ending December 31, 2022, the above results of operations for three months ended March 31, 2022 reflect the amounts after the application of the accounting standard, etc. Comparing the conventional method, net sales and cost of sales for three months ended March 31, 2022 decreased 8,843 million yen and 8,796 million yen, respectively. Operating profit, ordinary profit and profit attributable to owners of parent for three months ended March 31, 2022 decreased 32 million yen, respectively. Assuming that the accounting standard, etc. applied from the beginning of the fiscal year ended December 31, 2021, the rate of change for net sales to the same period of the previous year is (9.1)%.

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2022	498,007	288,147	57.3
December 31, 2021	486,254	301,774	61.4

Reference) Equity: As of March 31, 2022: 285,149 million yen  
As of December 31, 2021: 298,743 million yen

Note) Since the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 on March 31, 2020), etc. are applying from the beginning of the fiscal year ending December 31, 2022, the above financial position as of March 31, 2022 reflect the amounts after the application of the accounting standard, etc.

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2021	yen —	yen 0.00	yen —	yen 120.00	yen 120.00
Fiscal Year 2022	—				
Fiscal Year 2022 (forecast)		0.00	—	125.00	125.00

- Notes) 1. Revision of the recently announced forecasts: No  
 2. The year-end dividend per share for the fiscal year 2021 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 2022 (From January 1, 2022 to December 31, 2022)

(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, 2022	435,800	(6.6)	30,900	(7.1)	31,400	(8.3)	21,590	(8.7)	113.87
Full-Year	828,000	(2.8)	53,600	(4.0)	54,500	(5.3)	36,650	(8.2)	193.30

- 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.  
 3. Since the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 on March 31, 2020), etc. are applying from the beginning of the fiscal year ending December 31, 2022, the above forecasts reflect the amounts after the application of the accounting standard, etc. However in the calculation for each of percentages, the accounting standard, etc. do not apply to the amounts in the same period of the previous year. Assuming that the accounting standard, etc. applied from the beginning of the fiscal year ended December 31, 2021, the rate of changes for net sales to the same period of the previous year are as follows:  
 Six months ending June 30, 2022: (3.1)%  
 Full-Year: 1.2%  
 The application of the accounting standard, etc. have little impact on operating profit, ordinary profit, and profit attributable to owners of parent.

**\* 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.: Yes

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, 2022:	190,002,120 shares
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As of December 31, 2021:	190,002,120 shares
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2) Number of treasury shares at the end of the period:

As of March 31, 2022:	400,930 shares
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As of December 31, 2021:	400,930 shares
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3) Average number of shares during the period:

Three months ended March 31, 2022:	189,601,190 shares
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Three months ended March 31, 2021:	189,601,212 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, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	204,701	199,116
Notes and accounts receivable - trade	135,786	—
Notes and accounts receivable - trade, and contract assets	—	143,410
Merchandise	33,052	35,714
Work in process	1,235	1,211
Raw materials and supplies	740	760
Other	25,594	33,925
Allowance for doubtful accounts	(75)	(71)
Total current assets	401,034	414,067
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,422	15,048
Other, net	22,287	21,720
Total property, plant and equipment	37,710	36,768
Intangible assets	15,830	15,752
Investments and other assets		
Investment securities	22,366	19,947
Other	9,427	11,587
Allowance for doubtful accounts	(115)	(116)
Total investments and other assets	31,678	31,419
Total non-current assets	85,219	83,940
Total assets	486,254	498,007

(Millions of yen)

	As of December 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	91,938	106,215
Electronically recorded obligations - operating	17,901	19,695
Short-term borrowings	4,800	4,800
Income taxes payable	8,769	5,035
Provision for bonuses	3,806	9,522
Other	43,066	49,405
<b>Total current liabilities</b>	<b>170,282</b>	<b>194,674</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,700	1,700
Provision for retirement benefits for directors	698	681
Retirement benefit liability	9,210	9,834
Other	2,590	2,970
<b>Total non-current liabilities</b>	<b>14,198</b>	<b>15,186</b>
<b>Total liabilities</b>	<b>184,480</b>	<b>209,860</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	272,834	259,157
Treasury shares	(139)	(139)
<b>Total shareholders' equity</b>	<b>299,323</b>	<b>285,646</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	8,734	6,840
Deferred gains or losses on hedges	8	27
Revaluation reserve for land	(10,987)	(8,974)
Foreign currency translation adjustment	151	195
Remeasurements of defined benefit plans	1,513	1,414
<b>Total accumulated other comprehensive income</b>	<b>(580)</b>	<b>(497)</b>
<b>Non-controlling interests</b>	<b>3,030</b>	<b>2,998</b>
<b>Total net assets</b>	<b>301,774</b>	<b>288,147</b>
<b>Total liabilities and net assets</b>	<b>486,254</b>	<b>498,007</b>

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net sales	239,350	210,069
Cost of sales	192,193	164,796
Gross profit	47,157	45,272
Selling, general and administrative expenses	30,457	31,486
Operating profit	16,699	13,785
Non-operating income		
Interest income	2	2
Dividend income	31	45
Rental income from buildings	65	63
Share of profit of entities accounted for using equity method	403	298
Other	61	155
Total non-operating income	565	564
Non-operating expenses		
Interest expenses	10	10
Foreign exchange losses	12	—
Other	3	0
Total non-operating expenses	27	11
Ordinary profit	17,238	14,338
Extraordinary income		
Gain on sale of non-current assets	—	460
Gain on sale of investment securities	0	687
Total extraordinary income	0	1,147
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Other	0	—
Total extraordinary losses	0	0
Profit before income taxes	17,238	15,485
Income taxes	5,590	4,847
Profit	11,647	10,638
Profit attributable to non-controlling interests	160	119
Profit attributable to owners of parent	11,486	10,519

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	11,647	10,638
Other comprehensive income		
Valuation difference on available-for-sale securities	1,377	(1,898)
Deferred gains or losses on hedges	39	23
Revaluation reserve for land	—	616
Remeasurements of defined benefit plans, net of tax	(146)	(100)
Share of other comprehensive income of entities accounted for using equity method	59	47
Total other comprehensive income	1,330	(1,312)
Comprehensive income	12,978	9,326
(Breakdown)		
Comprehensive income attributable to owners of parent	12,818	9,205
Comprehensive income attributable to non-controlling interests	159	120

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	17,238	15,485
Depreciation	1,930	1,957
Increase (decrease) in allowance for doubtful accounts	6	(3)
Interest and dividend income	(34)	(47)
Interest expenses	10	10
Share of loss (profit) of entities accounted for using equity method	(403)	(298)
Loss (gain) on sale of non-current assets	—	(460)
Loss (gain) on sale of investment securities	(0)	(687)
Decrease (increase) in trade receivables	(24,370)	(14,787)
Decrease (increase) in inventories	12,922	(2,570)
Increase (decrease) in trade payables	20,745	21,733
Other, net	5,335	6,005
Subtotal	33,381	26,339
Interest and dividends received	34	48
Interest paid	(2)	(2)
Income taxes paid	(8,914)	(8,186)
Net cash provided by (used in) operating activities	24,498	18,198
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(708)	(247)
Proceeds from sale of property, plant and equipment	—	969
Purchase of software	(1,316)	(1,623)
Purchase of investment securities	(179)	(8)
Proceeds from sale of investment securities	0	743
Long-term loan advances	(12)	(150)
Other, net	(30)	(324)
Net cash provided by (used in) investing activities	(2,246)	(640)
<b>Cash flows from financing activities</b>		
Dividends paid	(21,808)	(22,754)
Other, net	(159)	(153)
Net cash provided by (used in) financing activities	(21,968)	(22,908)
Effect of exchange rate change on cash and cash equivalents	3	3
Net increase (decrease) in cash and cash equivalents	286	(5,347)
Cash and cash equivalents at beginning of period	178,988	205,746
Cash and cash equivalents at end of period	179,274	200,399



## Segment Information

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

Three months ended March 31, 2021

(Millions of yen)

	Reportable segments		Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	156,454	82,896	239,350	—	239,350
Inter-segment sales/transfers	17	224	242	(242)	—
Total	156,472	83,120	239,592	(242)	239,350
Segment profit	14,890	4,205	19,095	(2,396)	16,699

Three months ended March 31, 2022

(Millions of yen)

	Reportable segments		Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	130,382	79,687	210,069	—	210,069
Inter-segment sales/transfers	18	156	175	(175)	—
Total	130,400	79,843	210,244	(175)	210,069
Segment profit	12,953	3,237	16,190	(2,404)	13,785

Note) Since the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 on March 31, 2020), etc. are applying from the beginning of the fiscal year ending December 31, 2022, the above information concerning net sales and segment profit/loss by reportable segments for three months ended March 31, 2022 reflect the amounts after the application of the accounting standard, etc. Comparing the conventional method, concerning System Integration business, although net sales decreased 1,570 million yen, there is no impact on segment profit for three months ended March 31, 2022. Concerning Service and Support business, net sales decreased 7,273 million yen and segment profit decreased 32 million yen for three months ended March 31, 2022.