

**Financial Report for the First Six 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: August 10, 2022

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 2022 (From January 1, 2022 to June 30, 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	445,336	(4.6)	30,778	(7.4)	31,747	(7.3)	22,848	(3.4)
June 30, 2021	466,625	7.8	33,246	9.7	34,245	10.6	23,657	13.8

Note) Comprehensive Income: Six months ended June 30, 2022: 21,001 million yen [(15.7)%]

Six months ended June 30, 2021: 24,924 million yen [24.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
June 30, 2022	120.51	—
June 30, 2021	124.78	—

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 six months ended June 30, 2022 reflect the amounts after the application of the accounting standard, etc. Comparing the conventional method, net sales and cost of sales for six months ended June 30, 2022 decreased 18,170 million yen and 17,913 million yen, respectively. Operating profit, ordinary profit and profit attributable to owners of parent for six months ended June 30, 2022 decreased 22 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 (1.0)%.

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	518,807	299,822	57.2
December 31, 2021	486,254	301,774	61.4

Reference) Equity: As of June 30, 2022: 296,753 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 June 30, 2022 reflects 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	—	0.00			
Fiscal Year 2022 (forecast)			—	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
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 is as follows:
 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 June 30, 2022:	190,002,120 shares
As of December 31, 2021:	190,002,120 shares
 - 2) Number of treasury shares at the end of the period:

As of June 30, 2022:	400,977 shares
As of December 31, 2021:	400,930 shares
 - 3) Average number of shares during the period:

Six months ended June 30, 2022:	189,601,184 shares
Six months ended June 30, 2021:	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, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	204,701	208,158
Notes and accounts receivable - trade	135,786	—
Notes and accounts receivable - trade, and contract assets	—	147,817
Merchandise	33,052	40,198
Work in process	1,235	950
Raw materials and supplies	740	690
Other	25,594	35,995
Allowance for doubtful accounts	(75)	(75)
Total current assets	401,034	433,734
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,422	14,879
Other, net	22,287	21,450
Total property, plant and equipment	37,710	36,329
Intangible assets	15,830	15,477
Investments and other assets		
Investment securities	22,366	21,729
Other	9,427	11,661
Allowance for doubtful accounts	(115)	(124)
Total investments and other assets	31,678	33,266
Total non-current assets	85,219	85,072
Total assets	486,254	518,807

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	91,938	101,457
Electronically recorded obligations - operating	17,901	21,981
Short-term borrowings	4,800	4,600
Current portion of long-term borrowings	—	1,700
Income taxes payable	8,769	10,438
Provision for bonuses	3,806	4,125
Other	43,066	60,718
Total current liabilities	170,282	205,021
Non-current liabilities		
Long-term borrowings	1,700	—
Provision for retirement benefits for directors	698	694
Retirement benefit liability	9,210	10,478
Other	2,590	2,790
Total non-current liabilities	14,198	13,963
Total liabilities	184,480	218,984
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	272,834	271,486
Treasury shares	(139)	(140)
Total shareholders' equity	299,323	297,975
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,734	6,079
Deferred gains or losses on hedges	8	56
Revaluation reserve for land	(10,987)	(8,974)
Foreign currency translation adjustment	151	290
Remeasurements of defined benefit plans	1,513	1,326
Total accumulated other comprehensive income	(580)	(1,221)
Non-controlling interests	3,030	3,068
Total net assets	301,774	299,822
Total liabilities and net assets	486,254	518,807

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	466,625	445,336
Cost of sales	372,346	350,840
Gross profit	94,279	94,496
Selling, general and administrative expenses	61,032	63,717
Operating profit	33,246	30,778
Non-operating income		
Interest income	6	7
Dividend income	116	141
Rental income from buildings	131	118
Share of profit of entities accounted for using equity method	545	459
Other	224	368
Total non-operating income	1,025	1,095
Non-operating expenses		
Interest expenses	22	22
Donations	—	100
Other	3	4
Total non-operating expenses	26	127
Ordinary profit	34,245	31,747
Extraordinary income		
Gain on sale of non-current assets	885	460
Gain on sale of investment securities	5	687
Total extraordinary income	890	1,147
Extraordinary losses		
Loss on retirement of non-current assets	31	15
Impairment losses	169	—
Other	0	—
Total extraordinary losses	200	15
Profit before income taxes	34,935	32,879
Income taxes	11,002	9,837
Profit	23,932	23,042
Profit attributable to non-controlling interests	275	193
Profit attributable to owners of parent	23,657	22,848

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	23,932	23,042
Other comprehensive income		
Valuation difference on available-for-sale securities	1,189	(2,669)
Deferred gains or losses on hedges	11	58
Revaluation reserve for land	—	616
Remeasurements of defined benefit plans, net of tax	(292)	(200)
Share of other comprehensive income of entities accounted for using equity method	83	155
Total other comprehensive income	992	(2,040)
Comprehensive income	24,924	21,001
(Breakdown)		
Comprehensive income attributable to owners of parent	24,671	20,810
Comprehensive income attributable to non-controlling interests	253	191

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	34,935	32,879
Depreciation	4,008	4,114
Impairment losses	169	—
Increase (decrease) in allowance for doubtful accounts	(81)	9
Interest and dividend income	(122)	(149)
Interest expenses	22	22
Share of loss (profit) of entities accounted for using equity method	(545)	(459)
Loss on retirement of non-current assets	31	15
Loss (gain) on sale of non-current assets	(885)	(460)
Loss (gain) on sale of investment securities	(5)	(687)
Decrease (increase) in trade receivables	1,486	(19,201)
Decrease (increase) in inventories	7,582	(6,722)
Increase (decrease) in trade payables	10,652	19,260
Increase (decrease) in accrued expenses	11,844	11,564
Other, net	(1,283)	(573)
Subtotal	67,808	39,610
Interest and dividends received	144	208
Interest paid	(21)	(22)
Income taxes paid	(8,993)	(8,213)
Net cash provided by (used in) operating activities	58,938	31,583
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,442)	(470)
Proceeds from sale of property, plant and equipment	1,492	969
Purchase of software	(2,711)	(2,943)
Purchase of investment securities	(182)	(2,689)
Proceeds from sale of investment securities	5	743
Long-term loan advances	(18)	(150)
Other, net	(206)	(272)
Net cash provided by (used in) investing activities	(5,064)	(4,812)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(200)
Dividends paid	(21,792)	(22,748)
Other, net	(159)	(153)
Net cash provided by (used in) financing activities	(21,952)	(23,102)
Effect of exchange rate change on cash and cash equivalents	2	4
Net increase (decrease) in cash and cash equivalents	31,924	3,673
Cash and cash equivalents at beginning of period	178,988	205,746
Cash and cash equivalents at end of period	210,912	209,419

Segment Information

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

Six months ended June 30, 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	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

Six months ended June 30, 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	287,037	158,299	445,336	—	445,336
Inter-segment sales/transfers	32	292	325	(325)	—
Total	287,070	158,592	445,662	(325)	445,336
Segment profit	27,898	7,582	35,480	(4,701)	30,778

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 six months ended June 30, 2022 reflects the amounts after the application of the accounting standard, etc. Comparing the conventional method, concerning System Integration business, net sales decreased 3,025 million yen and segment profit decreased 103 million yen for six months ended June 30, 2022. Concerning Service and Support business, net sales decreased 15,144 million yen and segment profit increased 81 million yen for six months ended June 30, 2022.