

**Financial Report for the Nine 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: November 14, 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 Nine months of the Fiscal Year 2022 (From January 1, 2022 to
September 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 | |
|--------------------|-----------------|-------|------------------|-------|-----------------|-------|---|-------|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| September 30, 2022 | 642,199 | (1.5) | 40,090 | (4.7) | 41,542 | (4.5) | 29,739 | (0.6) |
| September 30, 2021 | 652,146 | 5.0 | 42,063 | 1.8 | 43,491 | 3.0 | 29,921 | 5.1 |

Note) Comprehensive Income: Nine months ended September 30, 2022: 28,565 million yen [(11.8)%]
Nine months ended September 30, 2021: 32,400 million yen [14.7%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Nine months ended | yen | yen |
| September 30, 2022 | 156.85 | — |
| September 30, 2021 | 157.81 | — |

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 nine months ended September 30, 2022 reflect the amounts after the application of the accounting standard, etc. Comparing the conventional method, net sales and cost of sales for nine months ended September 30, 2022 decreased 26,783 million yen and 26,473 million yen, respectively. Operating profit, ordinary profit and profit attributable to owners of parent for nine months ended September 30, 2022 decreased 1 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 2.4%.

(2) Financial position

| | Total assets | Net assets | Equity ratio |
|--------------------|-----------------|-----------------|--------------|
| As of | Millions of yen | Millions of yen | % |
| September 30, 2022 | 498,328 | 307,385 | 61.0 |
| December 31, 2021 | 486,254 | 301,774 | 61.4 |

Reference) Equity: As of September 30, 2022: 304,171 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 September 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 September 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 September 30, 2022: | 401,017 shares |
| As of December 31, 2021: | 400,930 shares |
 - 3) Average number of shares during the period:

| | |
|---------------------------------------|--------------------|
| Nine months ended September 30, 2022: | 189,601,165 shares |
| Nine months ended September 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 September 30, 2022 |
|--|-------------------------|--------------------------|
| <hr/> | | |
| Assets | | |
| Current assets | | |
| Cash and deposits | 204,701 | 199,616 |
| Notes and accounts receivable - trade | 135,786 | — |
| Notes and accounts receivable - trade, and contract assets | — | 128,266 |
| Merchandise | 33,052 | 46,963 |
| Work in process | 1,235 | 1,371 |
| Raw materials and supplies | 740 | 684 |
| Other | 25,594 | 35,624 |
| Allowance for doubtful accounts | (75) | (71) |
| Total current assets | <hr/> 401,034 | <hr/> 412,455 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 15,422 | 14,823 |
| Other, net | 22,287 | 21,486 |
| Total property, plant and equipment | <hr/> 37,710 | <hr/> 36,310 |
| Intangible assets | 15,830 | 15,757 |
| Investments and other assets | | |
| Investment securities | 22,366 | 22,648 |
| Other | 9,427 | 11,300 |
| Allowance for doubtful accounts | (115) | (143) |
| Total investments and other assets | <hr/> 31,678 | <hr/> 33,804 |
| Total non-current assets | <hr/> 85,219 | <hr/> 85,872 |
| Total assets | <hr/> 486,254 | <hr/> 498,328 |

(Millions of yen)

As of December 31, 2021 As of September 30, 2022

| | As of December 31, 2021 | As of September 30, 2022 |
|---|-------------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 91,938 | 91,792 |
| Electronically recorded obligations - operating | 17,901 | 20,661 |
| Short-term borrowings | 4,800 | 4,600 |
| Current portion of long-term borrowings | — | 1,700 |
| Income taxes payable | 8,769 | 4,382 |
| Provision for bonuses | 3,806 | 10,147 |
| Other | 43,066 | 45,410 |
| Total current liabilities | 170,282 | 178,693 |
| Non-current liabilities | | |
| Long-term borrowings | 1,700 | — |
| Provision for retirement benefits for directors | 698 | 707 |
| Retirement benefit liability | 9,210 | 8,932 |
| Other | 2,590 | 2,607 |
| Total non-current liabilities | 14,198 | 12,248 |
| Total liabilities | 184,480 | 190,942 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 10,374 | 10,374 |
| Capital surplus | 16,254 | 16,254 |
| Retained earnings | 272,834 | 278,377 |
| Treasury shares | (139) | (140) |
| Total shareholders' equity | 299,323 | 304,866 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8,734 | 6,714 |
| Deferred gains or losses on hedges | 8 | 60 |
| Revaluation reserve for land | (10,987) | (8,974) |
| Foreign currency translation adjustment | 151 | 278 |
| Remeasurements of defined benefit plans | 1,513 | 1,226 |
| Total accumulated other comprehensive income | (580) | (694) |
| Non-controlling interests | 3,030 | 3,214 |
| Total net assets | 301,774 | 307,385 |
| Total liabilities and net assets | 486,254 | 498,328 |

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|---|---|---|
| Net sales | 652,146 | 642,199 |
| Cost of sales | 519,214 | 506,049 |
| Gross profit | 132,931 | 136,149 |
| Selling, general and administrative expenses | 90,868 | 96,059 |
| Operating profit | 42,063 | 40,090 |
| Non-operating income | | |
| Interest income | 12 | 11 |
| Dividend income | 133 | 167 |
| Rental income from buildings | 197 | 172 |
| Share of profit of entities accounted for using equity method | 696 | 640 |
| Other | 475 | 597 |
| Total non-operating income | 1,515 | 1,590 |
| Non-operating expenses | | |
| Interest expenses | 33 | 32 |
| Donations | 50 | 100 |
| Other | 4 | 5 |
| Total non-operating expenses | 87 | 138 |
| Ordinary profit | 43,491 | 41,542 |
| 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 | 36 | 57 |
| Impairment losses | 169 | — |
| Other | 0 | — |
| Total extraordinary losses | 205 | 57 |
| Profit before income taxes | 44,176 | 42,632 |
| Income taxes | 13,820 | 12,551 |
| Profit | 30,355 | 30,081 |
| Profit attributable to non-controlling interests | 434 | 341 |
| Profit attributable to owners of parent | 29,921 | 29,739 |

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|--|---|---|
| Profit | 30,355 | 30,081 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,375 | (2,037) |
| Deferred gains or losses on hedges | 7 | 63 |
| Revaluation reserve for land | — | 616 |
| Remeasurements of defined benefit plans, net of tax | (439) | (301) |
| Share of other comprehensive income of entities accounted for using equity method | 100 | 143 |
| Total other comprehensive income | 2,044 | (1,516) |
| Comprehensive income | 32,400 | 28,565 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 31,996 | 28,228 |
| Comprehensive income attributable to non-controlling interests | 404 | 336 |

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 44,176 | 42,632 |
| Depreciation | 5,903 | 6,145 |
| Impairment losses | 169 | — |
| Increase (decrease) in allowance for doubtful accounts | (100) | 23 |
| Interest and dividend income | (145) | (179) |
| Interest expenses | 33 | 32 |
| Share of loss (profit) of entities accounted for using equity method | (696) | (640) |
| Loss on retirement of non-current assets | 36 | 57 |
| Loss (gain) on sale of non-current assets | (885) | (460) |
| Loss (gain) on sale of investment securities | (5) | (687) |
| Decrease (increase) in trade receivables | 19,611 | 329 |
| Decrease (increase) in inventories | 5,837 | (13,902) |
| Increase (decrease) in trade payables | (12,490) | 8,275 |
| Other, net | (20) | (490) |
| Subtotal | 61,424 | 41,136 |
| Interest and dividends received | 299 | 412 |
| Interest paid | (24) | (24) |
| Income taxes paid | (17,770) | (16,554) |
| Net cash provided by (used in) operating activities | 43,928 | 24,969 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,771) | (1,187) |
| Proceeds from sale of property, plant and equipment | 1,492 | 969 |
| Purchase of software | (4,048) | (4,339) |
| Purchase of investment securities | (191) | (2,699) |
| Proceeds from sale of investment securities | 5 | 743 |
| Long-term loan advances | (18) | (150) |
| Other, net | 290 | (303) |
| Net cash provided by (used in) investing activities | (6,242) | (6,966) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | — | (200) |
| Dividends paid | (21,794) | (22,751) |
| Other, net | (159) | (153) |
| Net cash provided by (used in) financing activities | (21,953) | (23,105) |
| Effect of exchange rate change on cash and cash equivalents | 1 | 15 |
| Net increase (decrease) in cash and cash equivalents | 15,734 | (5,086) |
| Cash and cash equivalents at beginning of period | 178,988 | 205,746 |
| Cash and cash equivalents at end of period | 194,722 | 200,659 |

Segment Information

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

Nine months ended September 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 | 407,986 | 244,160 | 652,146 | — | 652,146 |
| Inter-segment sales/transfers | 42 | 584 | 627 | (627) | — |
| Total | 408,029 | 244,745 | 652,774 | (627) | 652,146 |
| Segment profit | 38,262 | 10,574 | 48,837 | (6,773) | 42,063 |

Nine months ended September 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 | 404,811 | 237,387 | 642,199 | — | 642,199 |
| Inter-segment sales/transfers | 48 | 429 | 478 | (478) | — |
| Total | 404,860 | 237,817 | 642,677 | (478) | 642,199 |
| Segment profit | 37,277 | 9,905 | 47,183 | (7,093) | 40,090 |

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 nine months ended September 30, 2022 reflects the amounts after the application of the accounting standard, etc. Comparing the conventional method, concerning System Integration business, net sales decreased 4,096 million yen and segment profit decreased 307 million yen for nine months ended September 30, 2022. Concerning Service and Support business, net sales decreased 22,687 million yen and segment profit increased 305 million yen for nine months ended September 30, 2022.