

**Financial Report for the Nine Months of
the Fiscal Year Ending December 31, 2023 (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 13, 2023

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 2023 (From January 1, 2023 to September 30, 2023)

(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, 2023	740,058	15.2	47,390	18.2	48,846	17.6	33,135	11.4
September 30, 2022	642,199	(1.5)	40,090	(4.7)	41,542	(4.5)	29,739	(0.6)

Note) Comprehensive Income: Nine months ended September 30, 2023: 33,977 million yen [18.9%]
 Nine months ended September 30, 2022: 28,565 million yen [(11.8)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	yen	yen
September 30, 2023	174.77	—
September 30, 2022	156.85	—

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	540,414	332,861	60.9
December 31, 2022	523,016	322,732	61.1

Reference) Equity: As of September 30, 2023: 329,152 million yen
 As of December 31, 2022: 319,388 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2022	— yen	0.00 yen	— yen	125.00 yen	125.00 yen
Fiscal Year 2023	—	0.00	—		
Fiscal Year 2023 (forecast)				130.00	130.00

Note) Revision of the recently announced forecasts: No

3. Financial Forecasts for the Fiscal Year 2023 (From January 1, 2023 to December 31, 2023)

(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	954,000	10.8	62,200	13.6	63,400	11.9	42,700	6.7	225.21

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.

*** 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, 2023: 190,002,120 shares

As of December 31, 2022: 190,002,120 shares

2) Number of treasury shares at the end of the period:

As of September 30, 2023: 401,198 shares

As of December 31, 2022: 401,081 shares

3) Average number of shares during the period:

Nine months ended September 30, 2023: 189,600,972 shares

Nine months ended September 30, 2022: 189,601,165 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, 2022	As of September 30, 2023
<hr/>		
Assets		
Current assets		
Cash and deposits	202,288	227,003
Notes and accounts receivable - trade, and contract assets	152,405	141,393
Merchandise	42,636	41,775
Work in process	1,435	1,524
Raw materials and supplies	759	719
Other	35,670	37,333
Allowance for doubtful accounts	(83)	(83)
Total current assets	<hr/> 435,113	<hr/> 449,666
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,868	14,724
Other, net	20,966	20,842
Total property, plant and equipment	<hr/> 35,835	<hr/> 35,567
Intangible assets	15,770	15,926
Investments and other assets		
Investment securities	22,678	25,785
Other	13,759	13,611
Allowance for doubtful accounts	(140)	(143)
Total investments and other assets	<hr/> 36,296	<hr/> 39,253
Total non-current assets	<hr/> 87,902	<hr/> 90,747
Total assets	<hr/> 523,016	<hr/> 540,414

(Millions of yen)

As of December 31, 2022 As of September 30, 2023

Liabilities		
Current liabilities		
Notes and accounts payable - trade	99,517	101,447
Electronically recorded obligations - operating	19,443	20,577
Short-term borrowings	4,400	6,100
Current portion of long-term borrowings	1,700	—
Income taxes payable	9,077	6,670
Provision for bonuses	3,885	11,506
Other	52,659	52,238
Total current liabilities	190,683	198,541
Non-current liabilities		
Provision for retirement benefits for directors(and other officers)	721	633
Retirement benefit liability	6,360	5,996
Other	2,519	2,380
Total non-current liabilities	9,600	9,010
Total liabilities	200,283	207,552
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	288,660	298,096
Treasury shares	(140)	(141)
Total shareholders' equity	315,149	324,584
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,835	7,319
Deferred gains or losses on hedges	(26)	75
Revaluation reserve for land	(6,141)	(6,141)
Foreign currency translation adjustment	200	304
Remeasurements of defined benefit plans	3,371	3,011
Total accumulated other comprehensive income	4,239	4,568
Non-controlling interests	3,343	3,709
Total net assets	322,732	332,861
Total liabilities and net assets	523,016	540,414

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	642,199	740,058
Cost of sales	506,049	587,476
Gross profit	136,149	152,581
Selling, general and administrative expenses	96,059	105,191
Operating profit	40,090	47,390
Non-operating income		
Interest income	11	14
Dividend income	167	226
Rental income from buildings	172	158
Share of profit of entities accounted for using equity method	640	757
Other	597	434
Total non-operating income	1,590	1,590
Non-operating expenses		
Interest expenses	32	31
Donations	100	100
Other	5	3
Total non-operating expenses	138	134
Ordinary profit	41,542	48,846
Extraordinary income		
Gain on sale of non-current assets	460	—
Gain on sale of investment securities	687	119
Total extraordinary income	1,147	119
Extraordinary losses		
Loss on valuation of investment securities	—	190
Other	57	15
Total extraordinary losses	57	205
Profit before income taxes	42,632	48,759
Income taxes	12,551	15,143
Profit	30,081	33,616
Profit attributable to non-controlling interests	341	480
Profit attributable to owners of parent	29,739	33,135

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	30,081	33,616
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,037)	485
Deferred gains or losses on hedges	63	124
Revaluation reserve for land	616	—
Remeasurements of defined benefit plans, net of tax	(301)	(351)
Share of other comprehensive income of entities accounted for using equity method	143	102
Total other comprehensive income	(1,516)	361
Comprehensive income	28,565	33,977
(Breakdown)		
Comprehensive income attributable to owners of parent	28,228	33,464
Comprehensive income attributable to non-controlling interests	336	512

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	42,632	48,759
Depreciation	6,145	5,809
Increase (decrease) in allowance for doubtful accounts	23	27
Interest and dividend income	(179)	(240)
Interest expenses	32	31
Share of loss (profit) of entities accounted for using equity method	(640)	(757)
Loss (gain) on sale of non-current assets	(460)	—
Loss (gain) on sale of investment securities	(687)	(116)
Loss (gain) on valuation of investment securities	—	190
Decrease (increase) in trade receivables	329	10,983
Decrease (increase) in inventories	(13,902)	813
Increase (decrease) in trade payables	8,275	3,064
Other, net	(433)	6,546
Subtotal	41,136	75,112
Interest and dividends received	412	532
Interest paid	(24)	(25)
Income taxes paid	(16,554)	(17,234)
Net cash provided by (used in) operating activities	24,969	58,384
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,187)	(2,906)
Proceeds from sale of property, plant and equipment	969	—
Purchase of software	(4,339)	(4,812)
Purchase of investment securities	(2,699)	(2,045)
Proceeds from sale of investment securities	743	129
Long-term loan advances	(150)	—
Other, net	(303)	(130)
Net cash provided by (used in) investing activities	(6,966)	(9,766)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(200)	1,700
Repayments of long-term borrowings	—	(1,700)
Dividends paid	(22,751)	(23,689)
Other, net	(153)	(147)
Net cash provided by (used in) financing activities	(23,105)	(23,837)
Effect of exchange rate change on cash and cash equivalents	15	6
Net increase (decrease) in cash and cash equivalents	(5,086)	24,787
Cash and cash equivalents at beginning of period	205,746	203,274
Cash and cash equivalents at end of period	200,659	228,062

Segment Information

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

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

Nine months ended September 30, 2023

(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	483,420	256,637	740,058	—	740,058
Inter-segment sales/transfers	79	406	486	(486)	—
Total	483,500	257,043	740,544	(486)	740,058
Segment profit	43,450	11,636	55,087	(7,696)	47,390