

## Financial Report for the Fiscal Year Ended 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 of Ordinary General Meeting of Shareholders: March 27, 2024

Scheduled date to commence dividend payments: March 28, 2024

Scheduled date to file Securities Report: March 27, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results presentation meeting: Yes (for analysts)

(All amounts less than one million yen are rounded down)

#### 1. Financial Results for the Fiscal Year 2023 (From January 1, 2023 to December 31, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2023	977,370	13.5	62,959	15.0	64,517	13.9	47,448	18.6
Fiscal Year 2022	861,022	1.1	54,768	(1.9)	56,639	(1.6)	40,022	0.2

Note) Comprehensive Income: Fiscal Year 2023: 48,066 million yen [9.5%]

Fiscal Year 2022: 43,911 million yen [0.5%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	yen	yen	%	%	%
Fiscal Year 2023	250.26	—	14.3	11.9	6.4
Fiscal Year 2022	211.09	—	13.0	11.2	6.4

Reference) Share of profit (loss) of entities accounted for using equity method: Fiscal Year 2023: 825 million yen

Fiscal Year 2022: 661 million yen

##### (2) Financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
December 31, 2023	561,805	346,950	61.1	1,809.66
December 31, 2022	523,016	322,732	61.1	1,684.53

Reference) Equity: As of December 31, 2023: 343,112 million yen

As of December 31, 2022: 319,388 million yen

### (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2023	71,649	(21,473)	(23,839)	229,615
Fiscal Year 2022	29,196	(8,355)	(23,307)	203,274

### 2. Dividends

	Annual dividends					Total dividend payments (total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Fiscal Year 2022	—	0.00	—	125.00	125.00	23,700	59.2	7.7
Fiscal Year 2023	—	0.00	—	135.00	135.00	25,596	53.9	7.7
Fiscal Year 2024 (forecast)	—	0.00	—	70.00	70.00		55.7	

\* At the Board of Directors meeting held February 1, 2024, the Company resolved to implement a two-for-one stock split of its common stock with an effective date of April 1, 2024. The annual dividends per share for Fiscal Year 2024 (forecast) stated above indicate amounts calculated in consideration of the stock split. The annual dividends per share for Fiscal Year 2024 (forecast) not considering the stock split are 140.00 yen.

### 3. Financial Forecasts for the Fiscal Year 2024 (From January 1, 2024 to December 31, 2024)

(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, 2024	539,900	3.6	37,400	1.9	37,850	0.6	25,600	0.7	67.51
Full-Year	1,026,000	5.0	68,500	8.8	69,000	6.9	47,670	0.5	125.71

Note) 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.

\* Basic earnings per share for Fiscal Year 2024 (forecast) stated above indicate an amount calculated in consideration of the stock split described in "2. Dividends." Basic earnings per share for the six months ending June 30, 2024 and the full-year of Fiscal Year 2024, not considering the stock split, are 135.02 yen and 251.42 yen, respectively.

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares):

As of December 31, 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 December 31, 2023: 401,198 shares

As of December 31, 2022: 401,081 shares

3) Average number of shares during the period:

Fiscal Year 2023: 189,600,959 shares

Fiscal Year 2022: 189,601,138 shares

**\* Financial reports are not subject to audit procedures to be conducted by certified public accountants or an audit firm.**

**\* At the Board of Directors meeting held February 1, 2024, the Company resolved to implement a two-for-one stock split of its common stock with an effective date of April 1, 2024.**

**\* 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.**

## Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	202,288	228,692
Notes and accounts receivable - trade, and contract assets	152,405	155,269
Merchandise	42,636	36,068
Work in process	1,435	1,413
Raw materials and supplies	759	755
Other	35,670	37,689
Allowance for doubtful accounts	(83)	(93)
Total current assets	435,113	459,794
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,879	49,925
Accumulated depreciation and impairment	(38,010)	(36,094)
Buildings and structures, net	14,868	13,831
Land	14,797	14,448
Other	16,482	17,389
Accumulated depreciation and impairment	(10,313)	(10,994)
Other, net	6,169	6,394
Total property, plant and equipment	35,835	34,674
Intangible assets		
Software	15,711	16,006
Other	59	59
Total intangible assets	15,770	16,065
Investments and other assets		
Investment securities	22,678	26,306
Guarantee deposits	2,335	3,108
Deferred tax assets	6,859	8,026
Deferred tax assets for land revaluation	2,833	2,448
Other	1,730	11,507
Allowance for doubtful accounts	(140)	(127)
Total investments and other assets	36,296	51,270
Total non-current assets	87,902	102,010
Total assets	523,016	561,805

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	99,517	105,485
Electronically recorded obligations - operating	19,443	19,831
Short-term borrowings	4,400	4,400
Current portion of long-term borrowings	1,700	—
Income taxes payable	9,077	9,495
Contract liabilities	16,139	16,443
Provision for bonuses	3,885	4,480
Other	36,520	43,126
<b>Total current liabilities</b>	<b>190,683</b>	<b>203,263</b>
<b>Non-current liabilities</b>		
Long-term borrowings	—	1,700
Lease liabilities	1,413	1,204
Provision for retirement benefits for directors (and other officers)	721	644
Retirement benefit liability	6,360	6,961
Other	1,105	1,080
<b>Total non-current liabilities</b>	<b>9,600</b>	<b>11,591</b>
<b>Total liabilities</b>	<b>200,283</b>	<b>214,854</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	288,660	311,537
Treasury shares	(140)	(141)
<b>Total shareholders' equity</b>	<b>315,149</b>	<b>338,025</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	6,835	7,424
Deferred gains or losses on hedges	(26)	(35)
Revaluation reserve for land	(6,141)	(5,269)
Foreign currency translation adjustment	200	289
Remeasurements of defined benefit plans	3,371	2,678
<b>Total accumulated other comprehensive income</b>	<b>4,239</b>	<b>5,087</b>
<b>Non-controlling interests</b>	<b>3,343</b>	<b>3,838</b>
<b>Total net assets</b>	<b>322,732</b>	<b>346,950</b>
<b>Total liabilities and net assets</b>	<b>523,016</b>	<b>561,805</b>

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

### Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2022 (Year ended December 31, 2022)	Fiscal Year 2023 (Year ended December 31, 2023)
Net sales	861,022	977,370
Cost of sales	676,853	773,392
Gross profit	184,169	203,978
Selling, general and administrative expenses	129,400	141,019
Operating profit	54,768	62,959
Non-operating income		
Interest income	17	18
Dividend income	253	380
Rental income from buildings	227	202
Income from recycling	230	199
Share of profit of entities accounted for using equity method	661	825
Foreign exchange gains	335	362
Other	295	234
Total non-operating income	2,022	2,224
Non-operating expenses		
Interest expenses	43	41
Donations	100	619
Other	7	5
Total non-operating expenses	151	665
Ordinary profit	56,639	64,517
Extraordinary income		
Gain on sale of non-current assets	460	707
Gain on sale of investment securities	687	119
Other	—	12
Total extraordinary income	1,147	839
Extraordinary losses		
Loss on retirement of non-current assets	65	26
Impairment losses	1,120	245
Loss on valuation of investment securities	91	190
Other	—	2
Total extraordinary losses	1,277	464
Profit before income taxes	56,509	64,892
Income taxes-current	16,840	17,542
Income taxes-deferred	(842)	(738)
Total Income taxes	15,998	16,803
Profit	40,511	48,089
Profit attributable to non-controlling interests	488	640
Profit attributable to owners of parent	40,022	47,448

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year 2022 (Year ended December 31, 2022)	Fiscal Year 2023 (Year ended December 31, 2023)
Profit	40,511	48,089
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,924)	585
Deferred gains or losses on hedges	(43)	(10)
Revaluation reserve for land	3,449	—
Remeasurements of defined benefit plans, net of tax	1,830	(689)
Share of other comprehensive income of entities accounted for using equity method	88	91
Total other comprehensive income	3,400	(22)
Comprehensive income	43,911	48,066
(Breakdown)		
Comprehensive income attributable to owners of parent	43,445	47,424
Comprehensive income attributable to non-controlling interests	466	641

## Consolidated Statements of Changes in Net Assets

Fiscal Year 2022 (Year ended December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,374	16,254	272,834	(139)	299,323
Cumulative effects of changes in accounting policies			(47)		(47)
Restated balance	10,374	16,254	272,786	(139)	299,276
Changes during period					
Dividends of surplus			(22,752)		(22,752)
Profit attributable to owners of parent			40,022		40,022
Reversal of revaluation reserve for land			(1,396)		(1,396)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	15,873	(0)	15,873
Balance at end of period	10,374	16,254	288,660	(140)	315,149

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,734	8	(10,987)	151	1,513	(580)	3,030	301,774
Cumulative effects of changes in accounting policies								(47)
Restated balance	8,734	8	(10,987)	151	1,513	(580)	3,030	301,726
Changes during period								
Dividends of surplus								(22,752)
Profit attributable to owners of parent								40,022
Reversal of revaluation reserve for land								(1,396)
Purchase of treasury shares								(0)
Net changes in items other than shareholders' equity	(1,898)	(35)	4,846	49	1,858	4,819	312	5,132
Total changes during period	(1,898)	(35)	4,846	49	1,858	4,819	312	21,005
Balance at end of period	6,835	(26)	(6,141)	200	3,371	4,239	3,343	322,732

Fiscal Year 2023 (Year ended December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,374	16,254	288,660	(140)	315,149
Changes during period					
Dividends of surplus			(23,700)		(23,700)
Profit attributable to owners of parent			47,448		47,448
Reversal of revaluation reserve for land			(871)		(871)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	22,876	(0)	22,876
Balance at end of period	10,374	16,254	311,537	(141)	338,025

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,835	(26)	(6,141)	200	3,371	4,239	3,343	322,732
Changes during period								
Dividends of surplus								(23,700)
Profit attributable to owners of parent								47,448
Reversal of revaluation reserve for land								(871)
Purchase of treasury shares								(0)
Net changes in items other than shareholders' equity	588	(8)	871	88	(693)	847	494	1,342
Total changes during period	588	(8)	871	88	(693)	847	494	24,218
Balance at end of period	7,424	(35)	(5,269)	289	2,678	5,087	3,838	346,950

## **Consolidated Statements of Cash Flows**

(Millions of yen)

	Fiscal Year 2022 (Year ended December 31, 2022)	Fiscal Year 2023 (Year ended December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	56,509	64,892
Depreciation	8,290	7,934
Impairment losses	1,120	245
Increase (decrease) in allowance for doubtful accounts	32	22
Interest and dividend income	(270)	(398)
Interest expenses	43	41
Share of loss (profit) of entities accounted for using equity method	(661)	(825)
Loss on retirement of non-current assets	65	26
Loss (gain) on sale of non-current assets	(460)	(707)
Loss (gain) on sale of investment securities	(687)	(116)
Loss (gain) on valuation of investment securities	91	190
Decrease (increase) in trade receivables	(23,806)	(2,875)
Decrease (increase) in inventories	(9,716)	6,595
Increase (decrease) in trade payables	14,782	6,357
Other, net	(36)	6,841
Subtotal	45,297	88,221
Interest and dividends received	527	726
Interest paid	(43)	(39)
Income taxes paid	(16,584)	(17,258)
Net cash provided by (used in) operating activities	29,196	71,649
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,249)	(3,990)
Proceeds from sale of property, plant and equipment	969	1,672
Purchase of software	(5,828)	(6,356)
Purchase of investment securities	(2,707)	(2,407)
Proceeds from sale of investment securities	743	129
Payments into time deposits	—	(10,000)
Long-term loan advances	(150)	—
Other, net	(133)	(521)
Net cash provided by (used in) investing activities	(8,355)	(21,473)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(400)	—
Proceeds from long-term borrowings	—	1,700
Repayments of long-term borrowings	—	(1,700)
Dividends paid	(22,753)	(23,691)
Other, net	(153)	(147)
Net cash provided by (used in) financing activities	(23,307)	(23,839)
Effect of exchange rate change on cash and cash equivalents	(4)	3
Net increase (decrease) in cash and cash equivalents	(2,471)	26,340
Cash and cash equivalents at beginning of period	205,746	203,274
Cash and cash equivalents at end of period	203,274	229,615

## **Segment Information**

### **1. Overview of reportable segments**

The reportable segments of the Companies are periodically examined by the Board of Directors for the purpose of deciding the allocation of business resources and evaluating the operating results. The Companies' main businesses are "System Integration," whose business fields encompass the construction of information systems and their cutover, and "Service and Support," which has support following the cutover of systems as its business field.

Therefore, the Companies are composed of two reportable segments, "System Integration business" and "Service and Support business."

The details of the two segments are as follows. The "System Integration business" provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. The "Service and Support business" provides customers with services such as distributing supplies, hardware and software maintenance, telephone support and outsourcing to support the installed systems and their business operations, totally.

### **2. Information concerning net sales, segment profit/loss, segment assets and other items by reportable segments**

Fiscal Year 2022 (Year ended December 31, 2022)

(Millions of yen)

	Reportable segments		Total	Adjustment	Amount recorded in consolidated financial statements
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	541,671	319,350	861,022	—	861,022
Inter-segment sales/transfers	71	552	623	(623)	—
Total	541,743	319,902	861,645	(623)	861,022
Segment profit	51,791	12,522	64,313	(9,545)	54,768
Segment assets	194,460	126,630	321,091	201,924	523,016
Other items					
Depreciation	4,451	3,208	7,659	629	8,289
Investments in affiliates accounted for using equity method	1,380	6,282	7,662	—	7,662
Increase in property, plant and equipment and intangible assets	4,106	2,895	7,001	76	7,077

Fiscal Year 2023 (Year ended December 31, 2023)

(Millions of yen)

	Reportable segments		Total	Adjustment	Amount recorded in consolidated financial statements
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	630,185	347,185	977,370	—	977,370
Inter-segment sales/transfers	97	609	706	(706)	—
Total	630,282	347,794	978,077	(706)	977,370
Segment profit	57,581	15,836	73,418	(10,458)	62,959
Segment assets	200,886	128,871	329,758	232,047	561,805
Other items					
Depreciation	4,235	3,078	7,314	619	7,934
Investments in affiliates accounted for using equity method	1,593	6,669	8,263	—	8,263
Increase in property, plant and equipment and intangible assets	4,844	5,248	10,092	253	10,346