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August 1, 2024

Consolidated Financial Report for the Six Months Ended June 30, 2024 <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; General Manager of Business Administration Headquarters (Tel: +81-3-3264-7111)

Scheduled date to file semi-annual securities report: August 8, 2024

Scheduled date to commence dividend payments: —

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended June 30, 2024 (From January 1, 2024 to June 30, 2024)

(1) Consolidated results of operations (Cumulative)

(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	%
Six months ended								
June 30, 2024	569,722	9.3	38,843	5.8	39,852	5.9	26,930	6.0
June 30, 2023	521,056	17.0	36,712	19.3	37,623	18.5	25,417	11.2

Note) Comprehensive Income: Six months ended June 30, 2024: 27,184 million yen [4.9%]

Six months ended June 30, 2023: 25,923 million yen [23.4%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
June 30, 2024	71.02	—
June 30, 2023	67.03	—

* The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2024. Accordingly, basic earnings per share stated above are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year (Fiscal Year 2023). Basic earnings per share for the six months ended June 30, 2024 and the six months ended June 30, 2023, not considering the stock split, are 142.04 yen and 134.06 yen, respectively.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	623,884	348,344	55.2
December 31, 2023	561,805	346,950	61.1

Reference) Equity: As of June 30, 2024: 344,314 million yen

As of December 31, 2023: 343,112 million yen

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Fiscal Year 2023	yen —	yen 0.00	yen —	yen 135.00	yen 135.00
Fiscal Year 2024	—	0.00			
Fiscal Year 2024 (forecast)			—	70.00	70.00

Note) Revision of the recently announced dividends forecasts: No

* The annual dividends per share for Fiscal Year 2024 (forecast) stated above indicate amounts calculated in consideration of the stock split described in "1. Consolidated Financial Results." The annual dividends per share for Fiscal Year 2024 (forecast) not considering the stock split are 140.00 yen.

3. Consolidated 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
Full-Year	1,055,000	7.9	69,500	10.4	70,500	9.3	48,700	2.6	128.43

Notes) 1. Revision of the recently announced financial forecasts: Yes

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.

* Basic earnings per share in Consolidated Financial Forecasts for the Fiscal Year 2024 stated above indicate amounts calculated in consideration of the stock split described in "1. Consolidated Financial Results." Basic earnings per share for the full-year of Fiscal Year 2024 not considering the stock split are 256.86 yen.

*** Notes**

(1) Significant changes in the scope of consolidation during the period: No
(2) Application of specific accounting for preparing the semi-annual 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.: No

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, 2024: 380,004,240 shares

As of December 31, 2023: 380,004,240 shares

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

As of June 30, 2024: 802,972 shares

As of December 31, 2023: 802,396 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024: 379,201,531 shares

Six months ended June 30, 2023: 379,201,973 shares

* The number of shares stated above is calculated on the assumption that the stock split described in "1. Consolidated Financial Results" was implemented at the beginning of the previous fiscal year (Fiscal Year 2023).

*** Semi-annual financial reports are not subject to review to be conducted by certified public accountants or an audit firm.**

Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	228,692	249,565
Notes and accounts receivable - trade, and contract assets	155,269	185,258
Merchandise	36,068	34,059
Work in process	1,413	1,351
Raw materials and supplies	755	727
Other	37,689	50,958
Allowance for doubtful accounts	(93)	(213)
Total current assets	459,794	521,707
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,831	14,099
Other, net	20,843	20,841
Total property, plant and equipment	34,674	34,941
Intangible assets	16,065	16,581
Investments and other assets		
Investment securities	26,306	26,329
Other	25,091	24,505
Allowance for doubtful accounts	(127)	(181)
Total investments and other assets	51,270	50,653
Total non-current assets	102,010	102,176
Total assets	561,805	623,884

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	105,485	132,980
Electronically recorded obligations - operating	19,831	26,574
Short-term borrowings	4,400	4,300
Income taxes payable	9,495	13,517
Provision for bonuses	4,480	5,156
Other	59,569	80,438
Total current liabilities	203,263	262,967
Non-current liabilities		
Long-term borrowings	1,700	1,700
Provision for retirement benefits for directors(and other officers)	644	595
Retirement benefit liability	6,961	8,176
Other	2,285	2,100
Total non-current liabilities	11,591	12,572
Total liabilities	214,854	275,539
Net assets		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	311,537	312,871
Treasury shares	(141)	(143)
Total shareholders' equity	338,025	339,357
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,424	7,097
Deferred gains or losses on hedges	(35)	268
Revaluation reserve for land	(5,269)	(5,269)
Foreign currency translation adjustment	289	416
Remeasurements of defined benefit plans	2,678	2,444
Total accumulated other comprehensive income	5,087	4,956
Non-controlling interests	3,838	4,029
Total net assets	346,950	348,344
Total liabilities and net assets	561,805	623,884

Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	521,056	569,722
Cost of sales	414,769	456,394
Gross profit	106,287	113,327
Selling, general and administrative expenses	69,574	74,484
Operating profit	36,712	38,843
Non-operating income		
Interest income	9	36
Dividend income	201	208
Share of profit of entities accounted for using equity method	448	422
Other	376	584
Total non-operating income	1,035	1,251
Non-operating expenses		
Interest expenses	21	21
Donations	100	214
Other	3	6
Total non-operating expenses	124	242
Ordinary profit	37,623	39,852
Extraordinary income		
Gain on sale of investment securities	119	11
Total extraordinary income	119	11
Extraordinary losses		
Loss on retirement of non-current assets	12	85
Loss on valuation of investment securities	190	—
Other	2	—
Total extraordinary losses	205	85
Profit before income taxes	37,537	39,778
Income taxes	11,811	12,531
Profit	25,725	27,247
Profit attributable to non-controlling interests	308	316
Profit attributable to owners of parent	25,417	26,930

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit	25,725	27,247
Other comprehensive income		
Valuation difference on available-for-sale securities	262	(343)
Deferred gains or losses on hedges	67	371
Remeasurements of defined benefit plans, net of tax	(234)	(242)
Share of other comprehensive income of entities accounted for using equity method	103	151
Total other comprehensive income	198	(62)
Comprehensive income	25,923	27,184
(Breakdown)		
Comprehensive income attributable to owners of parent	25,583	26,799
Comprehensive income attributable to non-controlling interests	340	384

Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	37,537	39,778
Depreciation	3,901	4,280
Increase (decrease) in allowance for doubtful accounts	31	173
Interest and dividend income	(211)	(244)
Interest expenses	21	21
Share of loss (profit) of entities accounted for using equity method	(448)	(422)
Loss on retirement of non-current assets	12	85
Loss (gain) on sale of investment securities	(116)	(11)
Loss (gain) on valuation of investment securities	190	—
Decrease (increase) in trade receivables	(17,153)	(30,042)
Decrease (increase) in inventories	5,476	2,099
Increase (decrease) in trade payables	20,067	34,237
Increase (decrease) in accrued expenses	12,363	13,806
Other, net	2,602	(2,952)
Subtotal	64,274	60,808
Interest and dividends received	286	301
Interest paid	(21)	(21)
Income taxes paid	(8,801)	(8,619)
Net cash provided by (used in) operating activities	55,738	52,468
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,333)	(1,367)
Purchase of software	(3,652)	(3,025)
Purchase of investment securities	(2,028)	(8)
Proceeds from sale of investment securities	129	20
Other, net	(138)	(40)
Net cash provided by (used in) investing activities	(8,024)	(4,422)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,700	(100)
Repayments of long-term borrowings	(1,700)	—
Dividends paid	(23,682)	(25,584)
Other, net	(147)	(195)
Net cash provided by (used in) financing activities	(23,830)	(25,879)
Effect of exchange rate change on cash and cash equivalents	7	3
Net increase (decrease) in cash and cash equivalents	23,891	22,169
Cash and cash equivalents at beginning of period	203,274	229,615
Cash and cash equivalents at end of period	227,165	251,785

Segment Information

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

Six months ended June 30, 2023

(Millions of yen)

	Reportable segments		Total	Adjustment	Amount recorded in semi-annual consolidated statements of income
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	350,303	170,753	521,056	—	521,056
Inter-segment sales/transfers	54	281	335	(335)	—
Total	350,358	171,034	521,392	(335)	521,056
Segment profit	32,578	9,232	41,810	(5,098)	36,712

Six months ended June 30, 2024

(Millions of yen)

	Reportable segments		Total	Adjustment	Amount recorded in semi-annual consolidated statements of income
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	385,521	184,201	569,722	—	569,722
Inter-segment sales/transfers	37	376	414	(414)	—
Total	385,558	184,578	570,136	(414)	569,722
Segment profit	33,881	10,722	44,604	(5,761)	38,843