



Fiscal year ending December 2017
Six months (January – June)
Business Results

August 1, 2017

OTSUKA CORPORATION
Yuji Otsuka, President

Summary of Business Results, January - June, 2017

(Millions of yen)

	Consolidated			Non-Consolidated		
	Amount	Ratio to Plan	Change to Last Year	Amount	Ratio to Plan	Change to Last Year
Net sales	357,585	100.8%	+5.6%	324,765	100.3%	+4.6%
Operating income	26,827	108.4%	+12.0%	24,386	106.3%	+9.7%
Ordinary income	27,387	109.2%	+11.5%	25,368	106.4%	+9.5%
Net income*	18,541	112.3%	+16.2%	17,477	109.0%	+14.6%

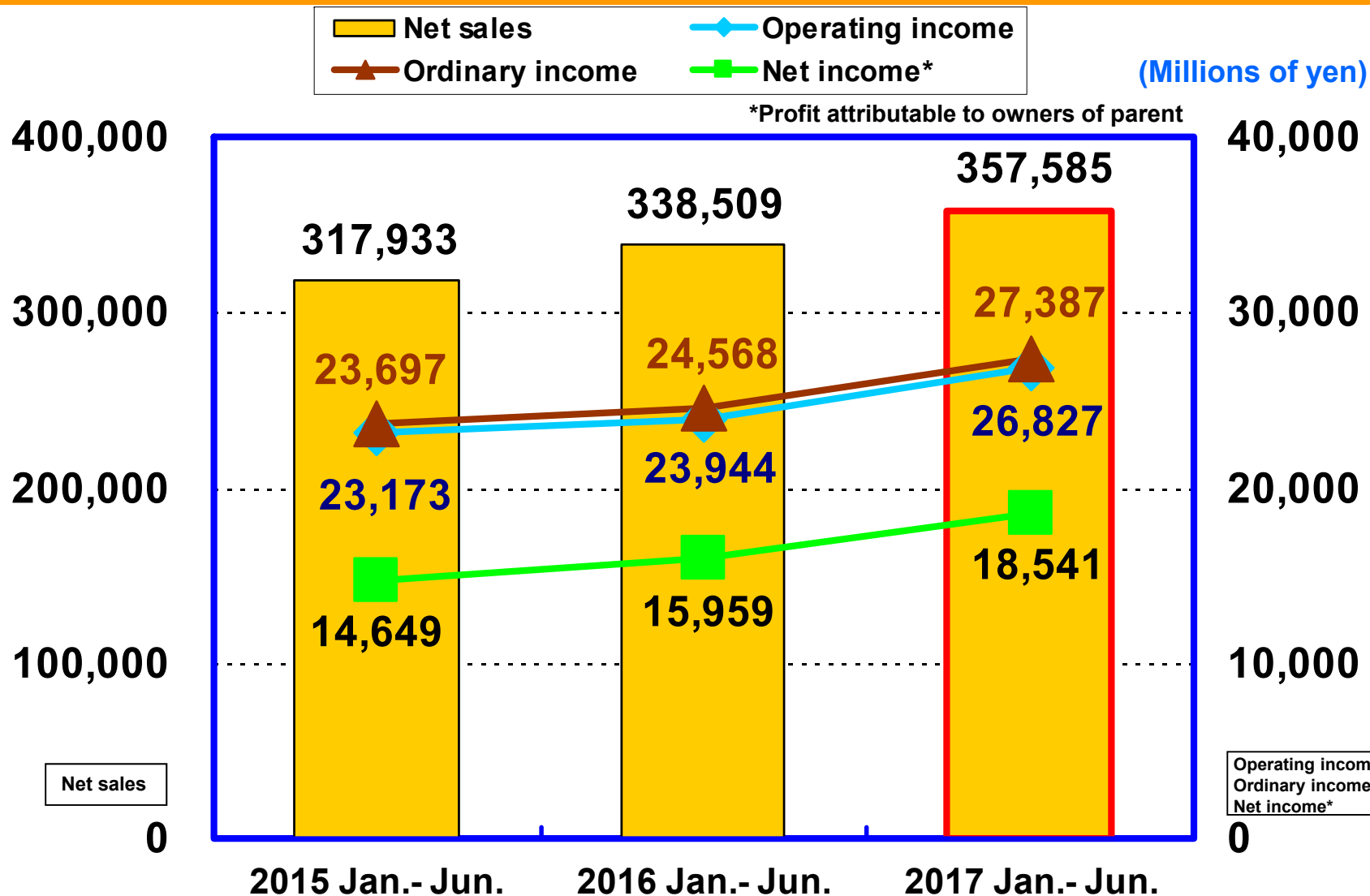
*Profit attributable to owners of parent

Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	2017 Jan.- Jun. Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	428	4,468
	Net World Corporation	Sales and technology support for network-related equipment	384	45,621
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	323	2,284
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	428	4,219
Others	Otsuka Auto Service Co., Ltd	Maintenance and body work for automobiles, and commissioned sales of insurance	23	243

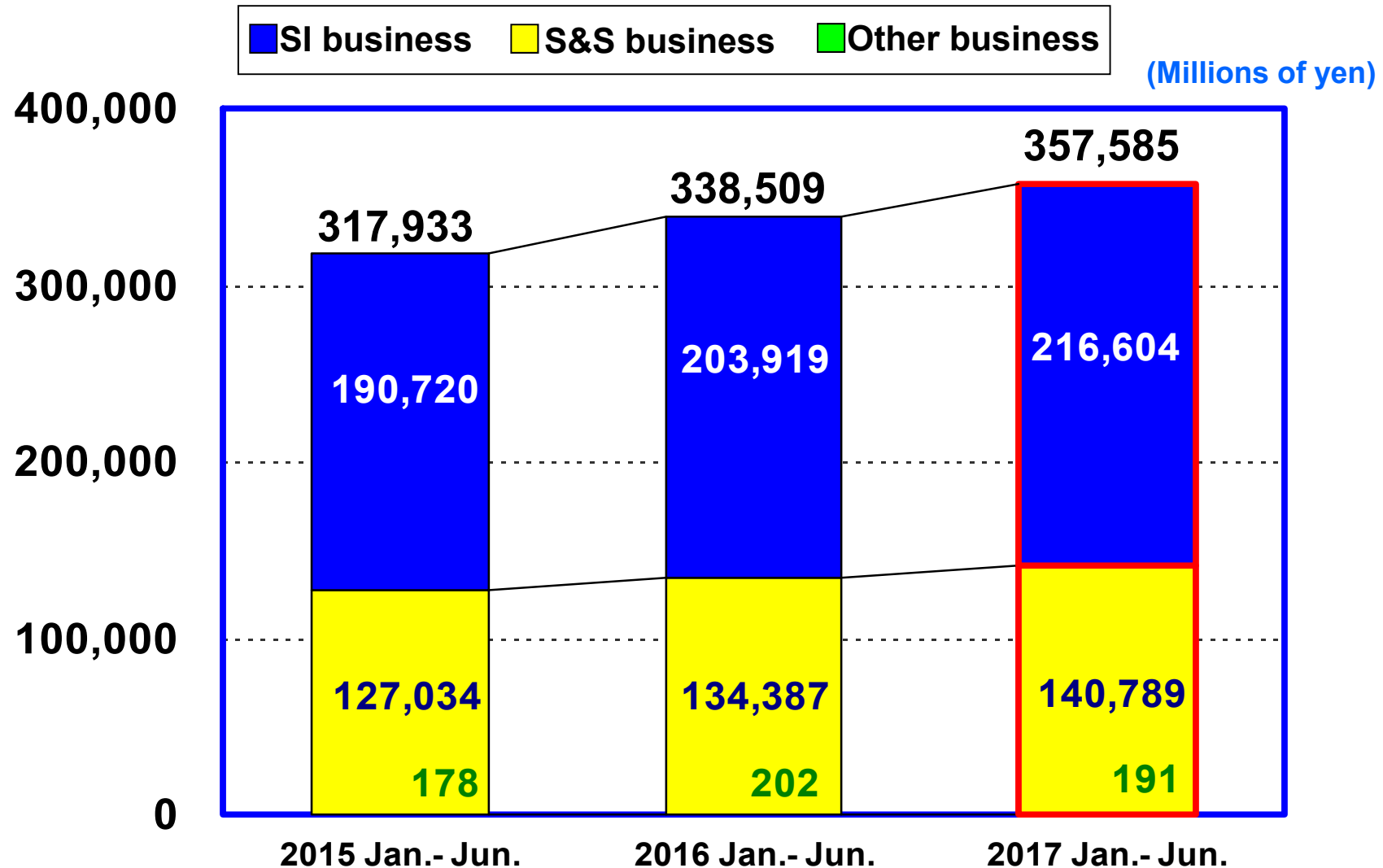
Consolidated

Net sales and Profits

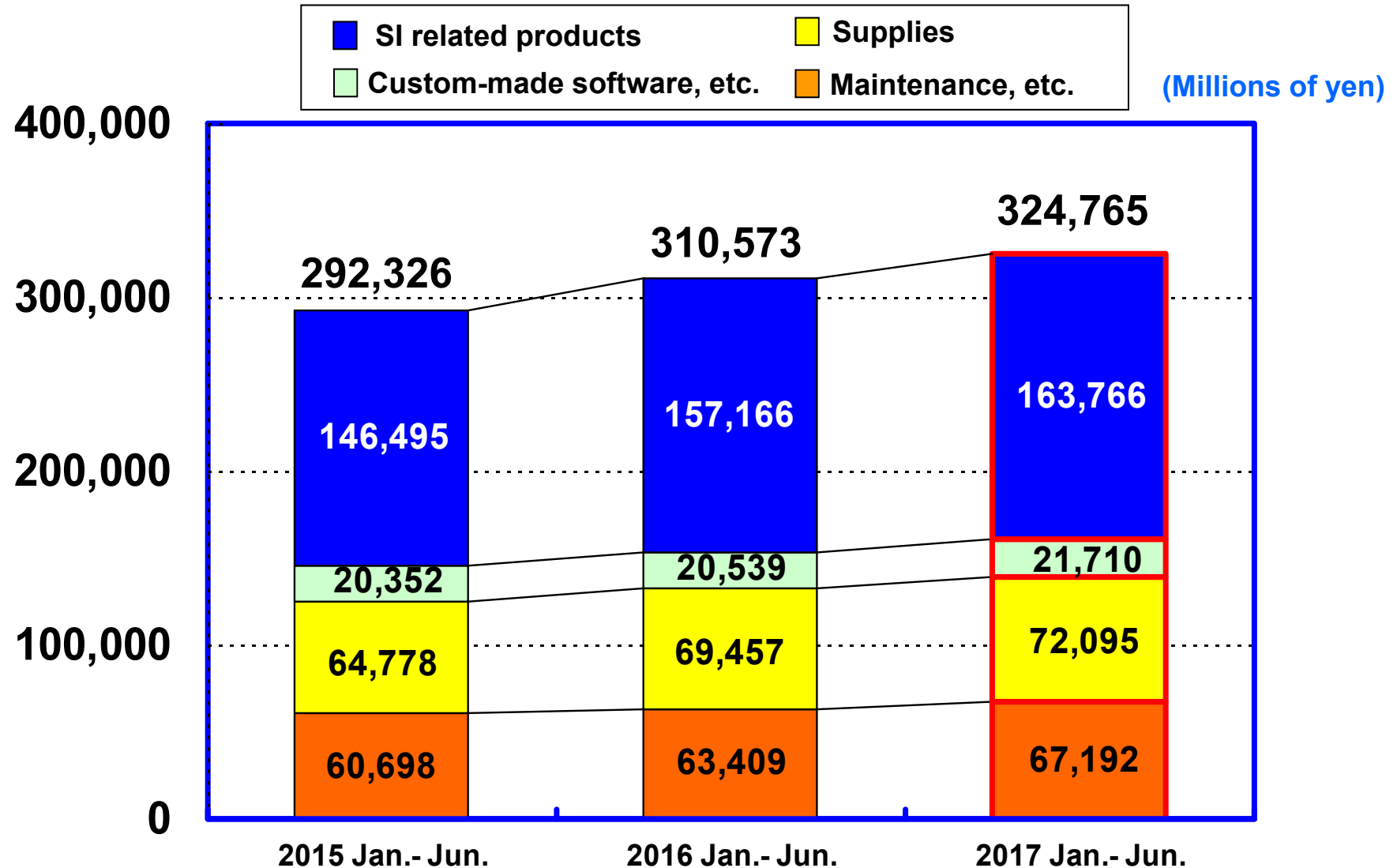


Consolidated

Net sales by segments

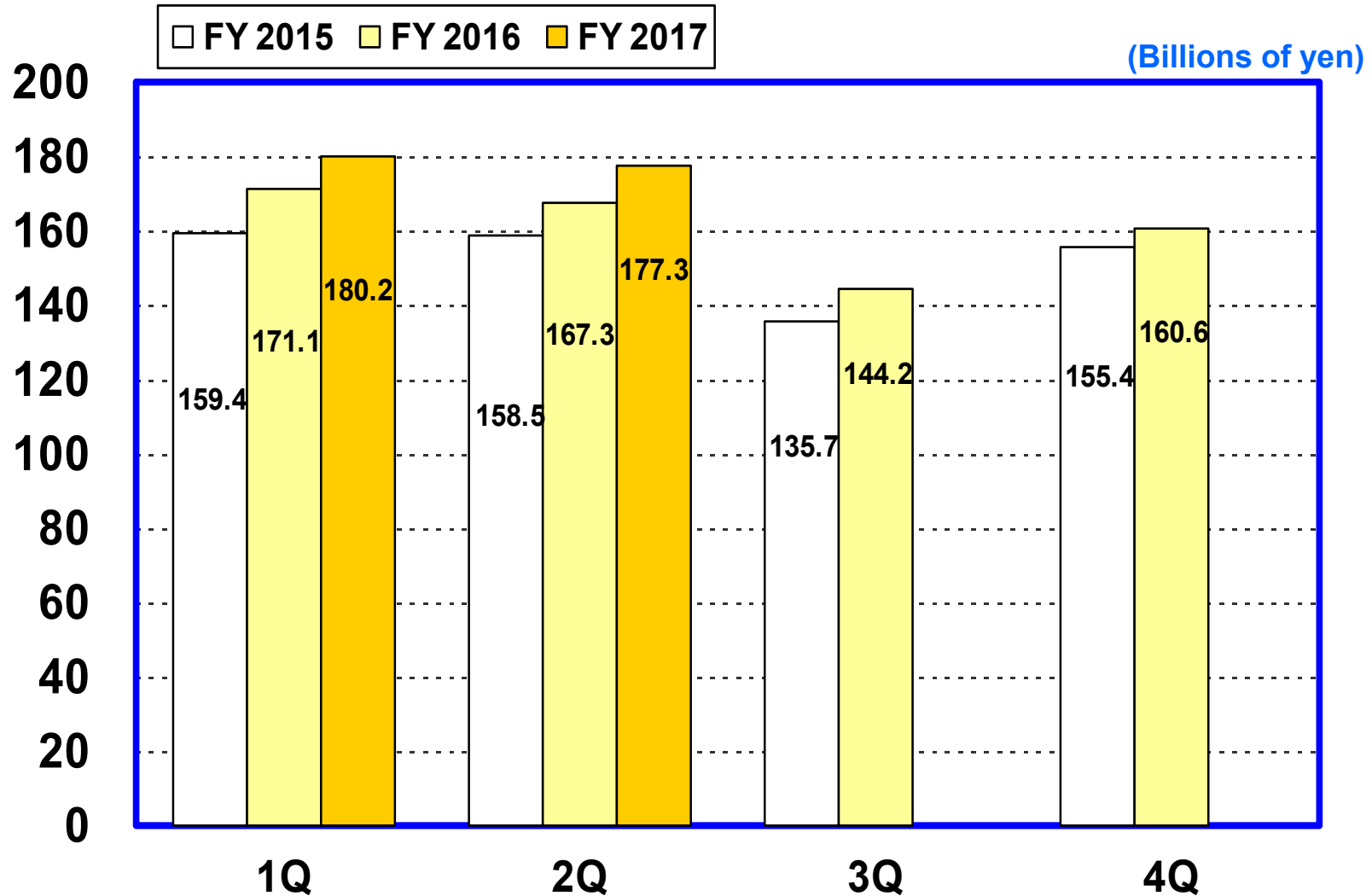


Net sales by 4 segments



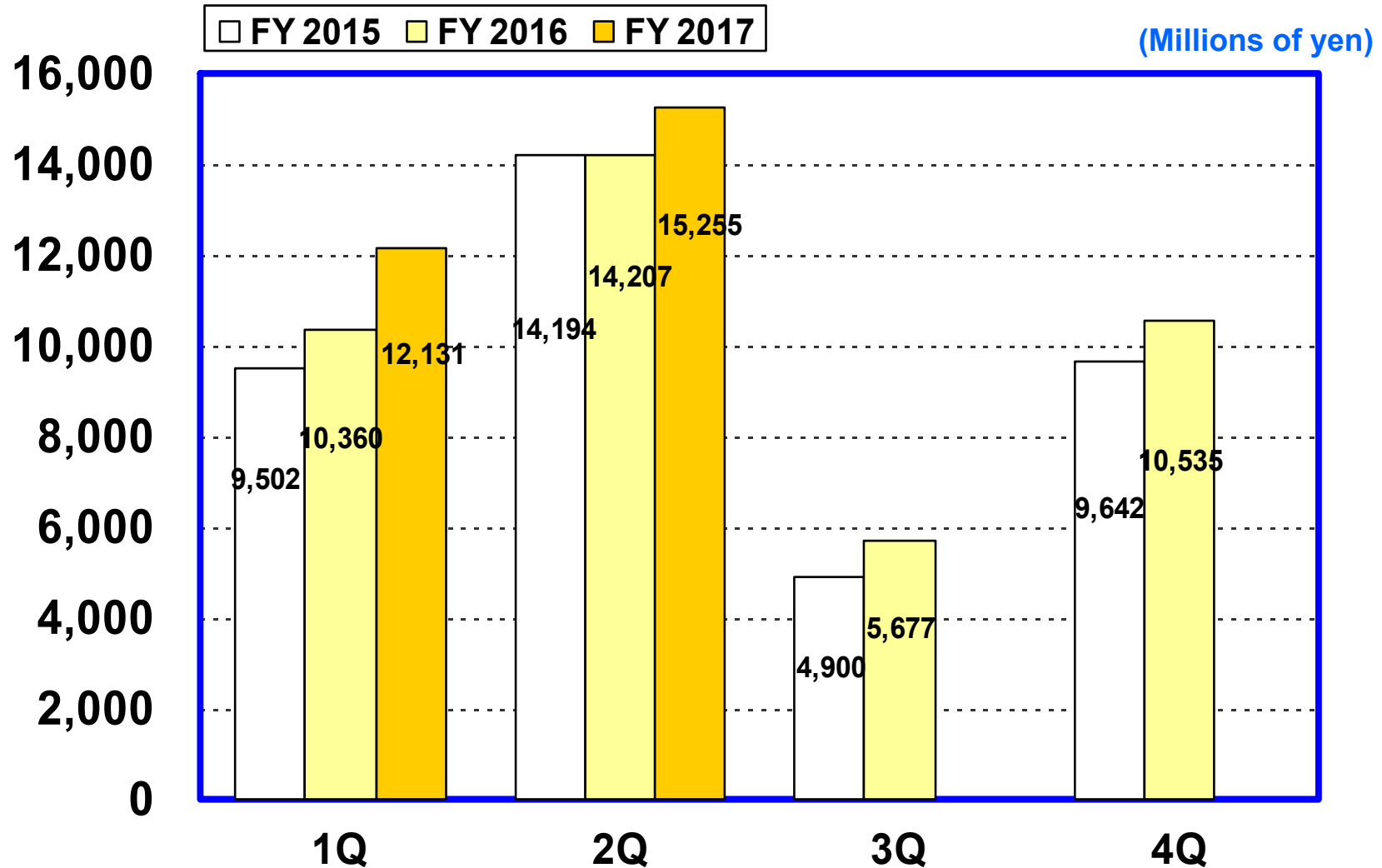
Consolidated

Quarterly change of Net sales



Consolidated

Quarterly change of Ordinary income



Summary of Business Results, April – June, 2017

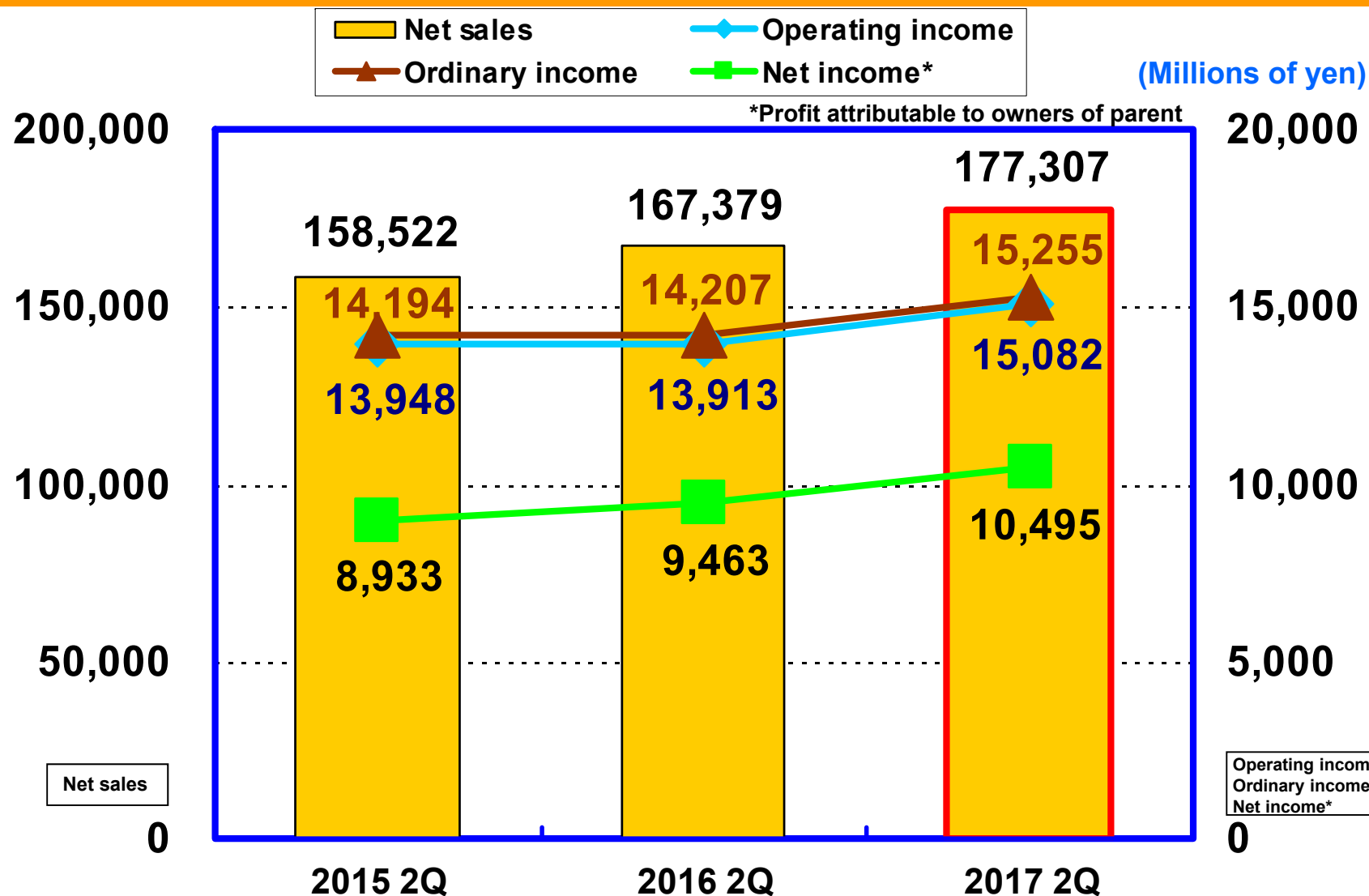
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	177,307	+5.9%	163,237	+5.3%
Operating income	15,082	+8.4%	14,180	+7.9%
Ordinary income	15,255	+7.4%	14,358	+7.4%
Net income*	10,495	+10.9%	9,914	+11.1%

*Profit attributable to owners of parent

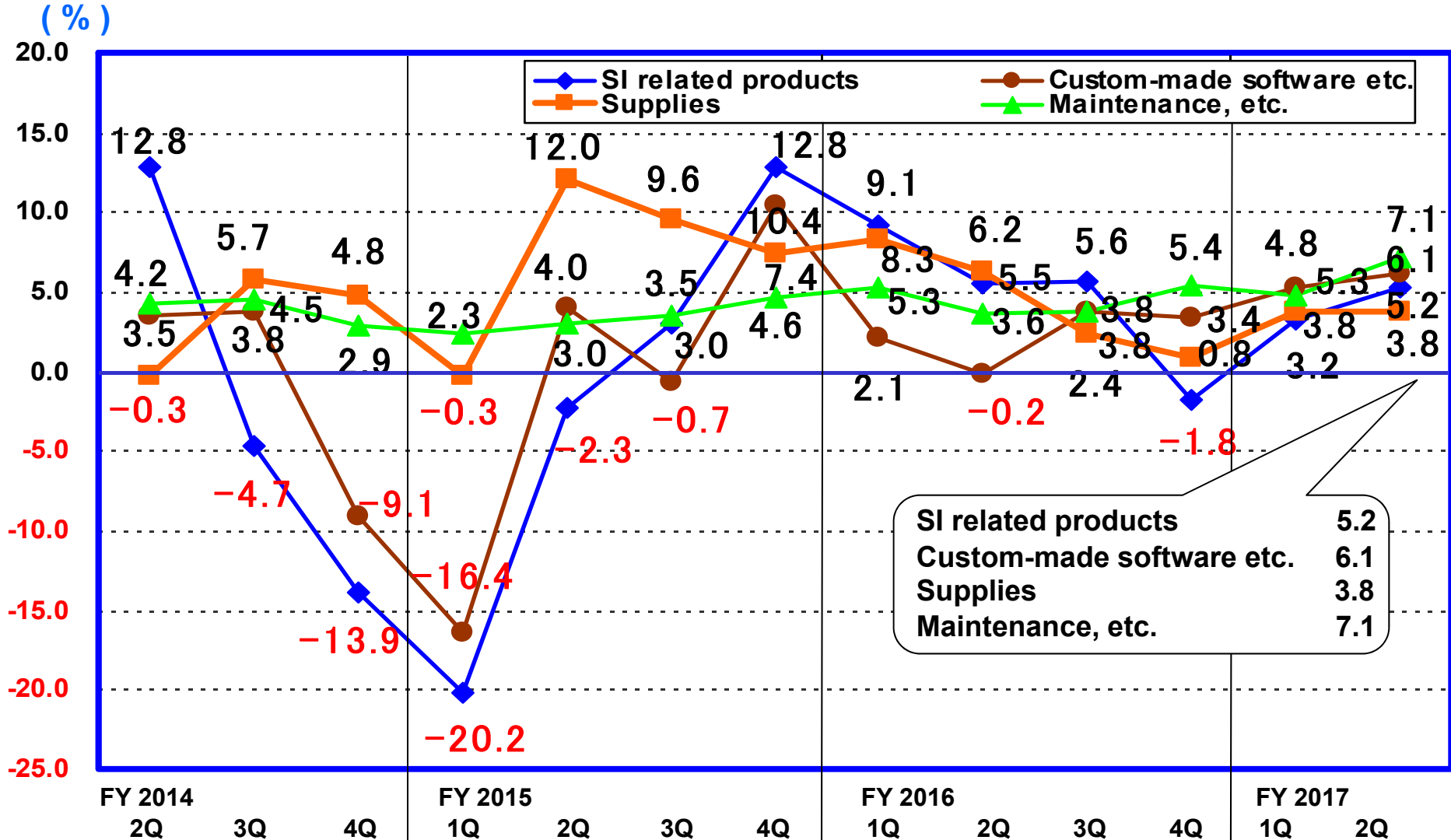
Consolidated

Net sales and Profits, April – June



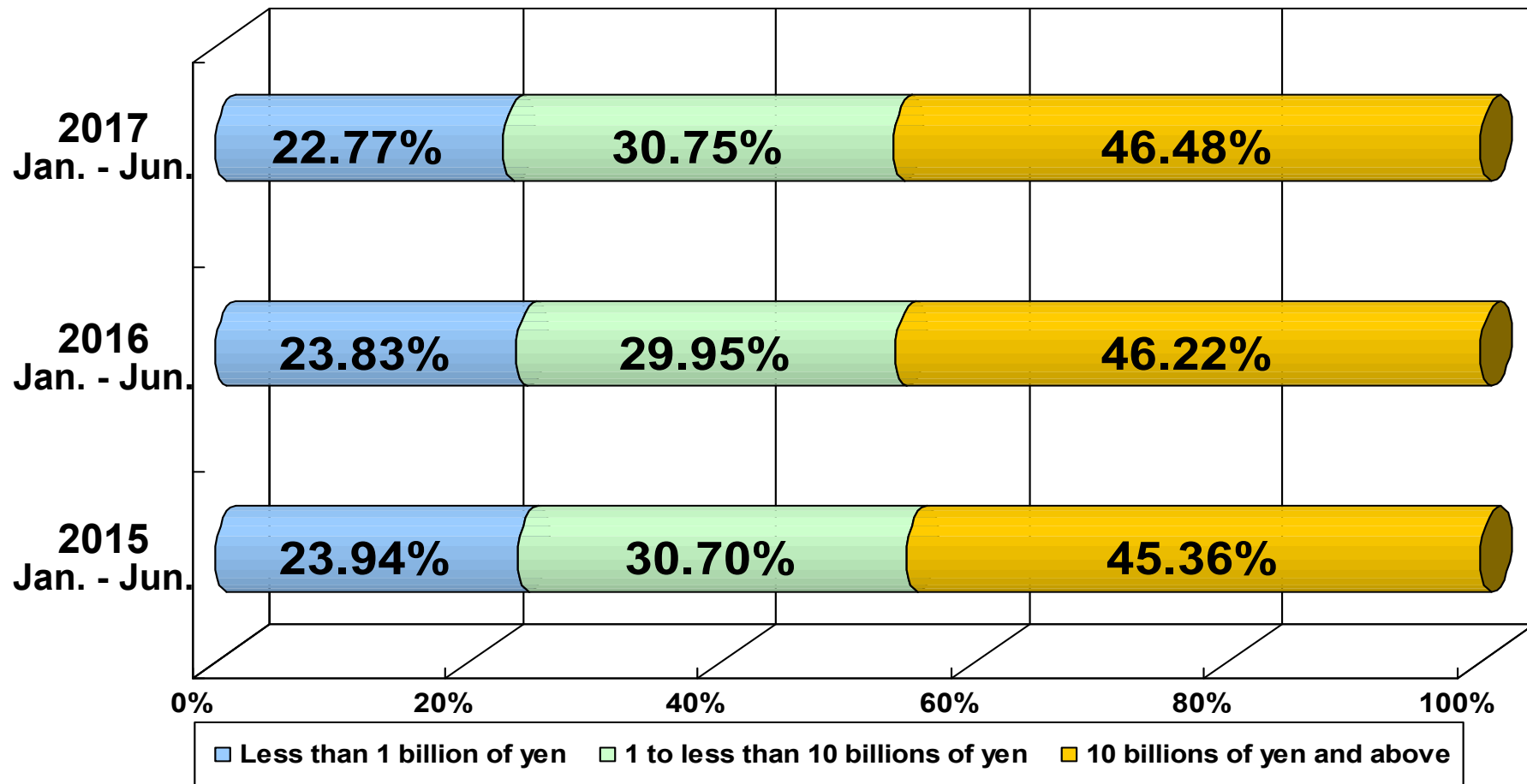
Non-Consolidated

Quarterly Net Sales by 4 segments (% change year-on-year)



Non-Consolidated

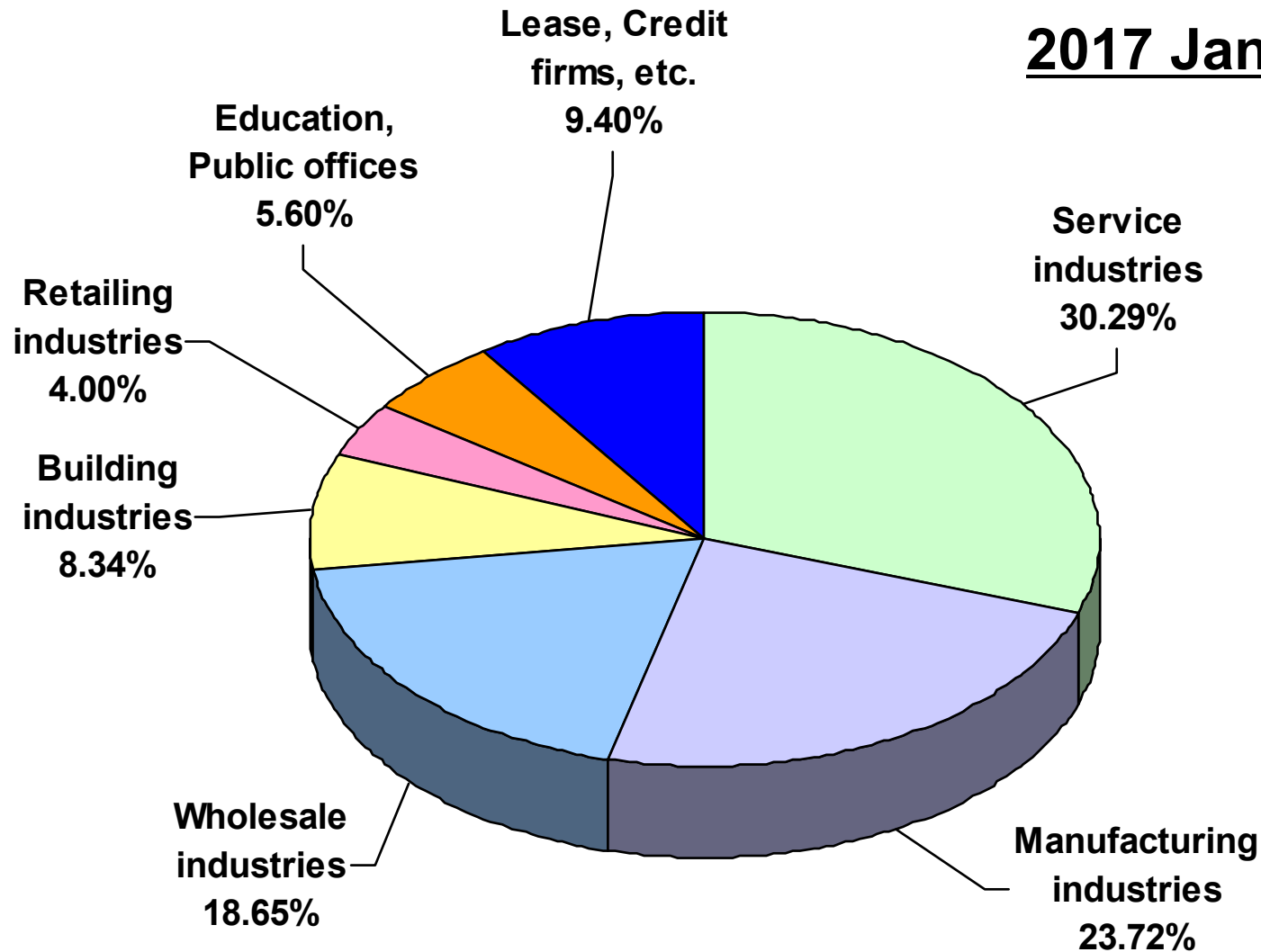
Net sales structure on customers' total annual business scale



* "Less than 1 billion yen" includes public offices.

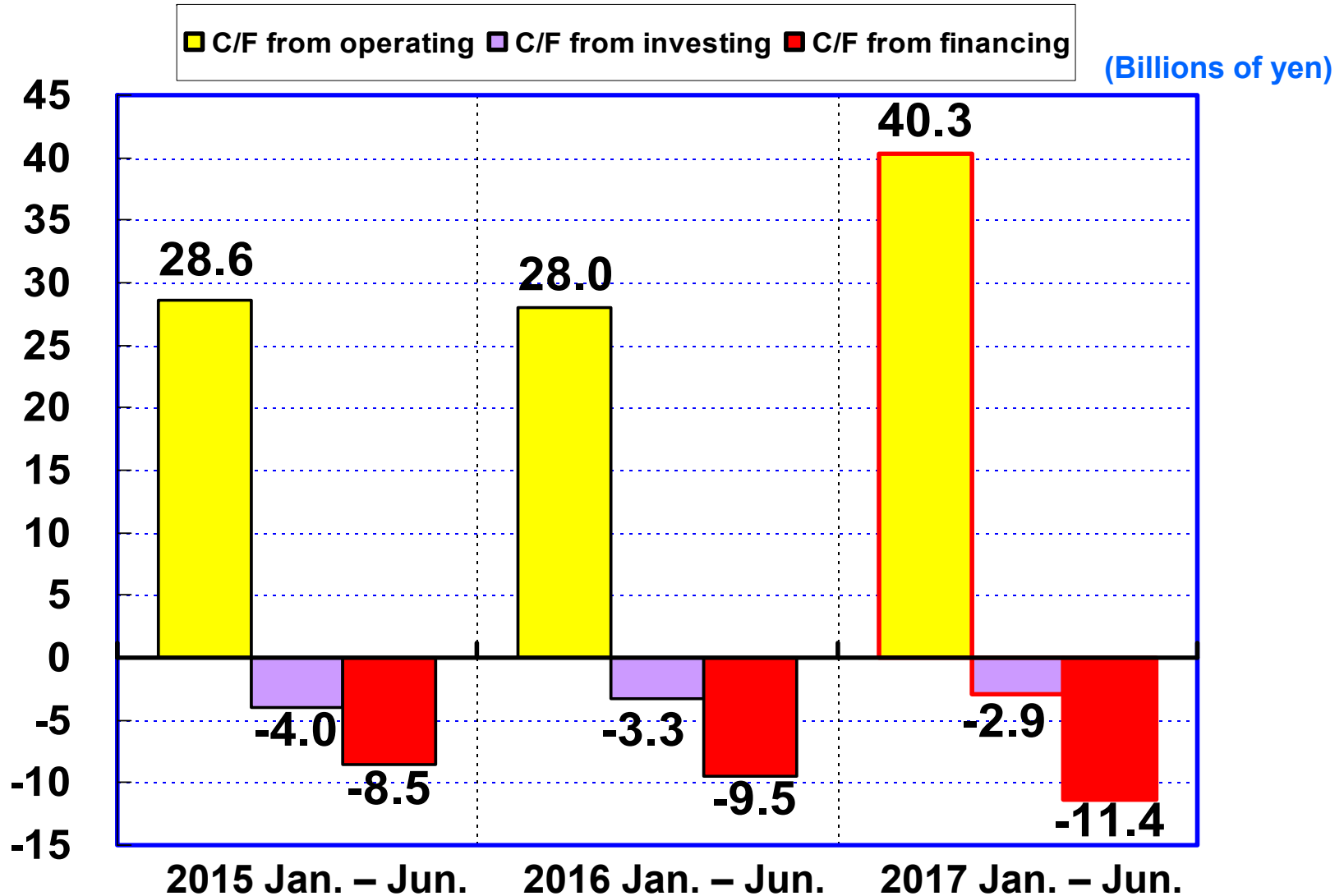
Sales breakdown by customers' type of industry

2017 Jan. – Jun.



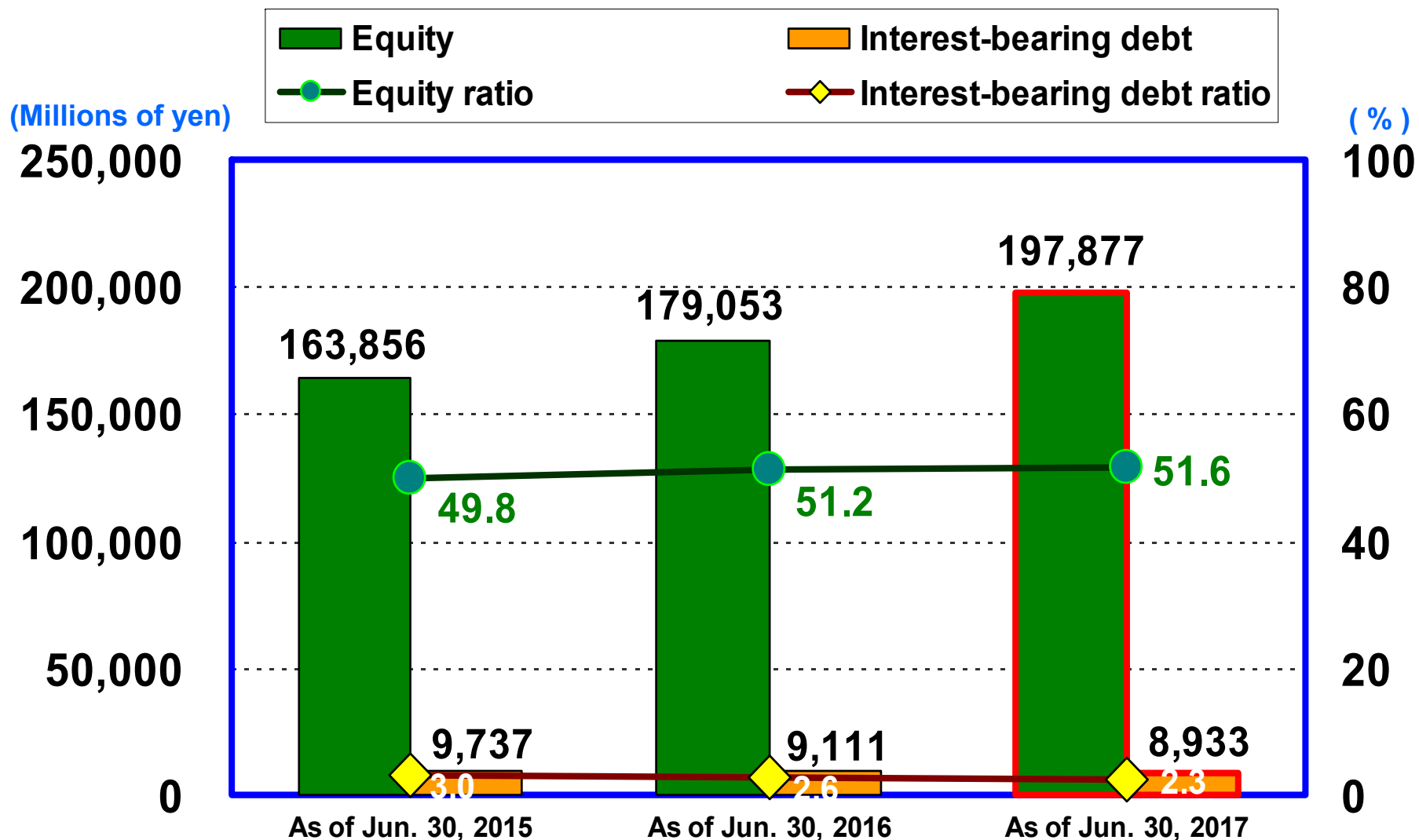
Consolidated

Cash flows



Consolidated

Equity and Interest-bearing debt

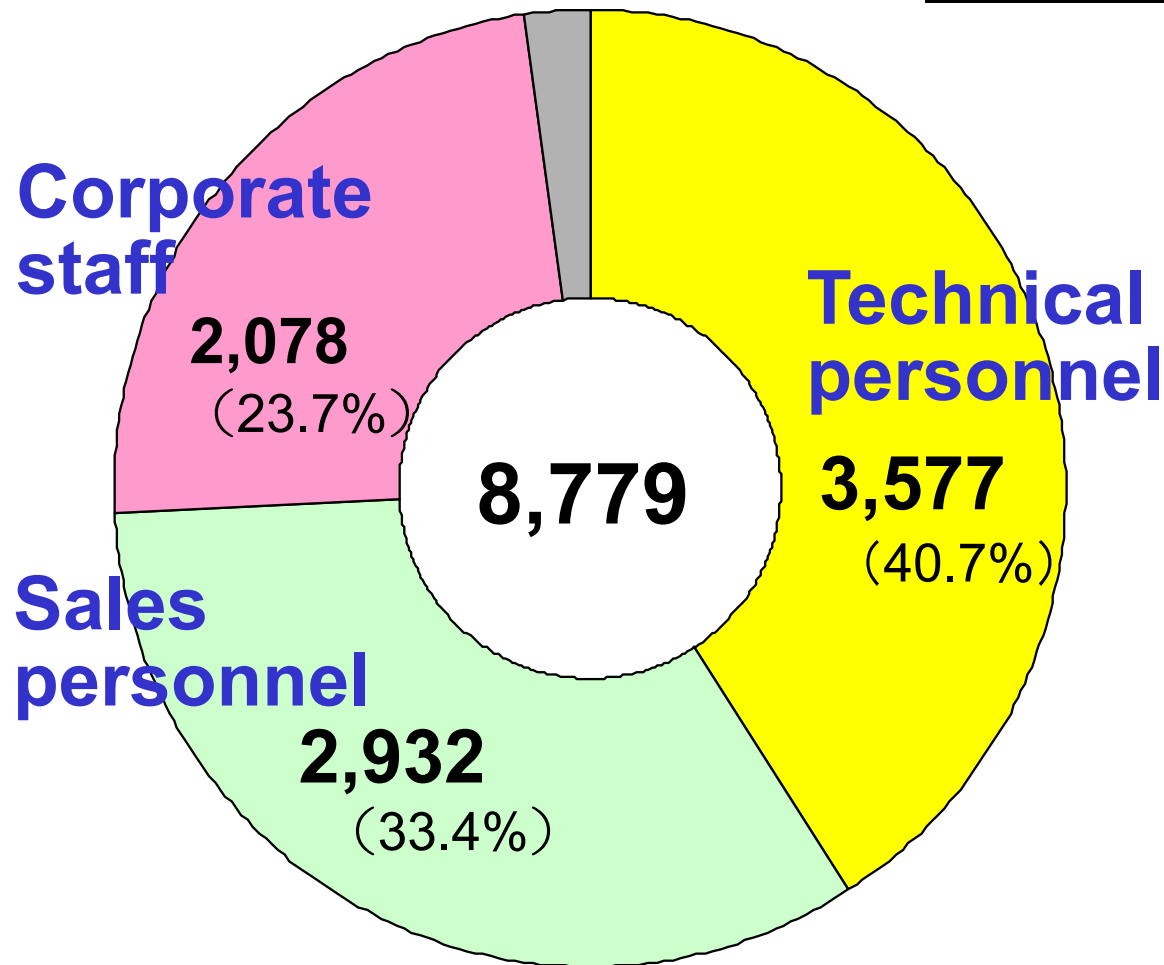


Consolidated

Personnel organization (regular employees)

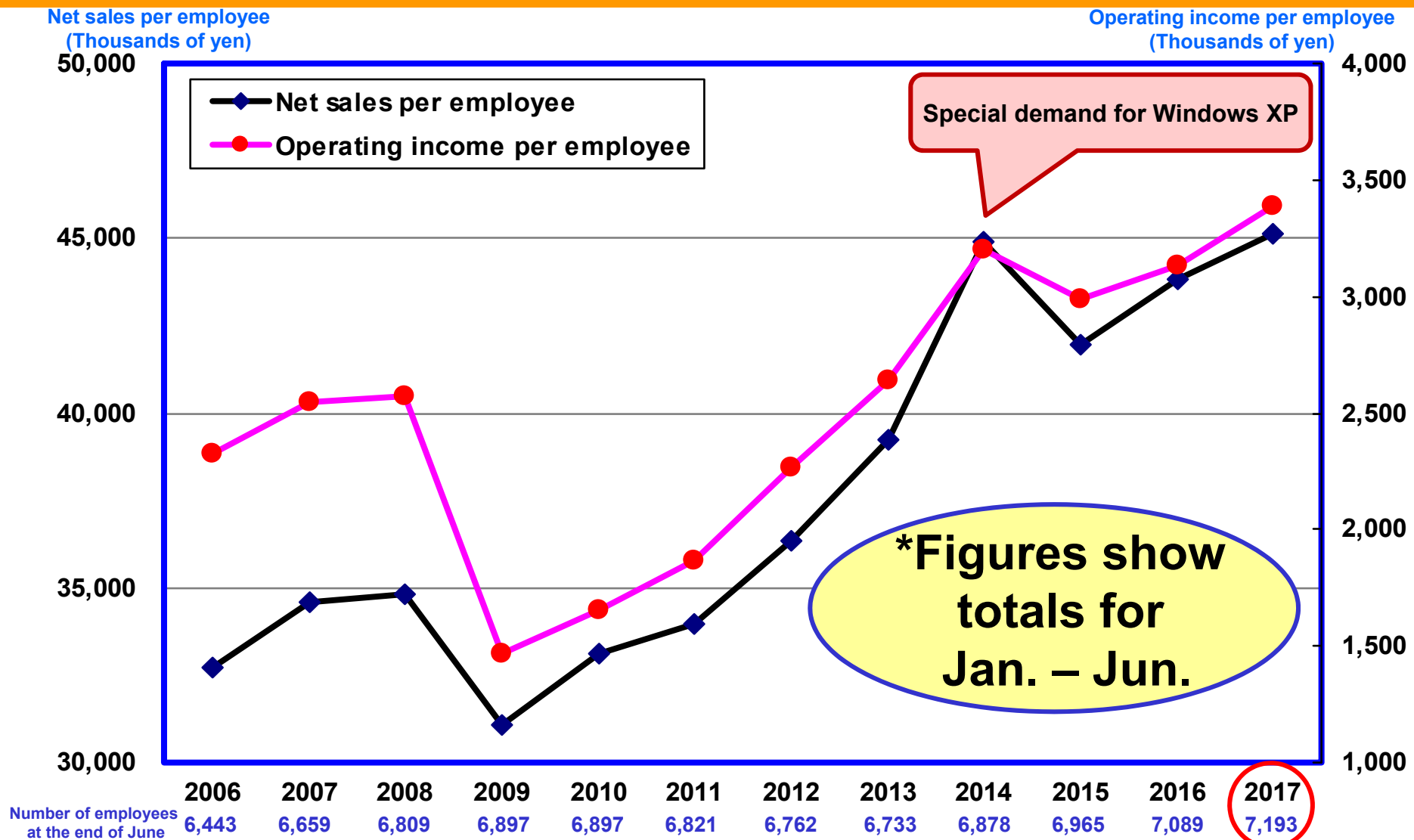
Others 192 (2.2%)

As of Jun. 30, 2017



Non-Consolidated

Change of Net sales per employee and Operating income per employee





Key strategic business

<Amount of Sales>

(Millions of yen)

	2015 Jan. – Jun.	2016 Jan. – Jun.		2017 Jan. – Jun.			2017 Apr. – Jun.		
	Amount	Amount	Change to Last year	Amount	Difference to Last year	Change to Last year	Amount	Difference to Last year	Change to Last year
“tanomail”	69,383	74,913	+8.0%	77,480	+2,566	+3.4%	37,994	+1,448	+4.0%
SMILE	5,988	5,295	-11.6%	5,950	+655	+12.4%	3,407	+309	+10.0%
ODS21	26,167	28,620	+9.4%	32,083	+3,462	+12.1%	17,564	+975	+5.9%
OSM	30,149	36,222	+20.1%	34,748	-1,473	-4.1%	16,823	-1,414	-7.8%

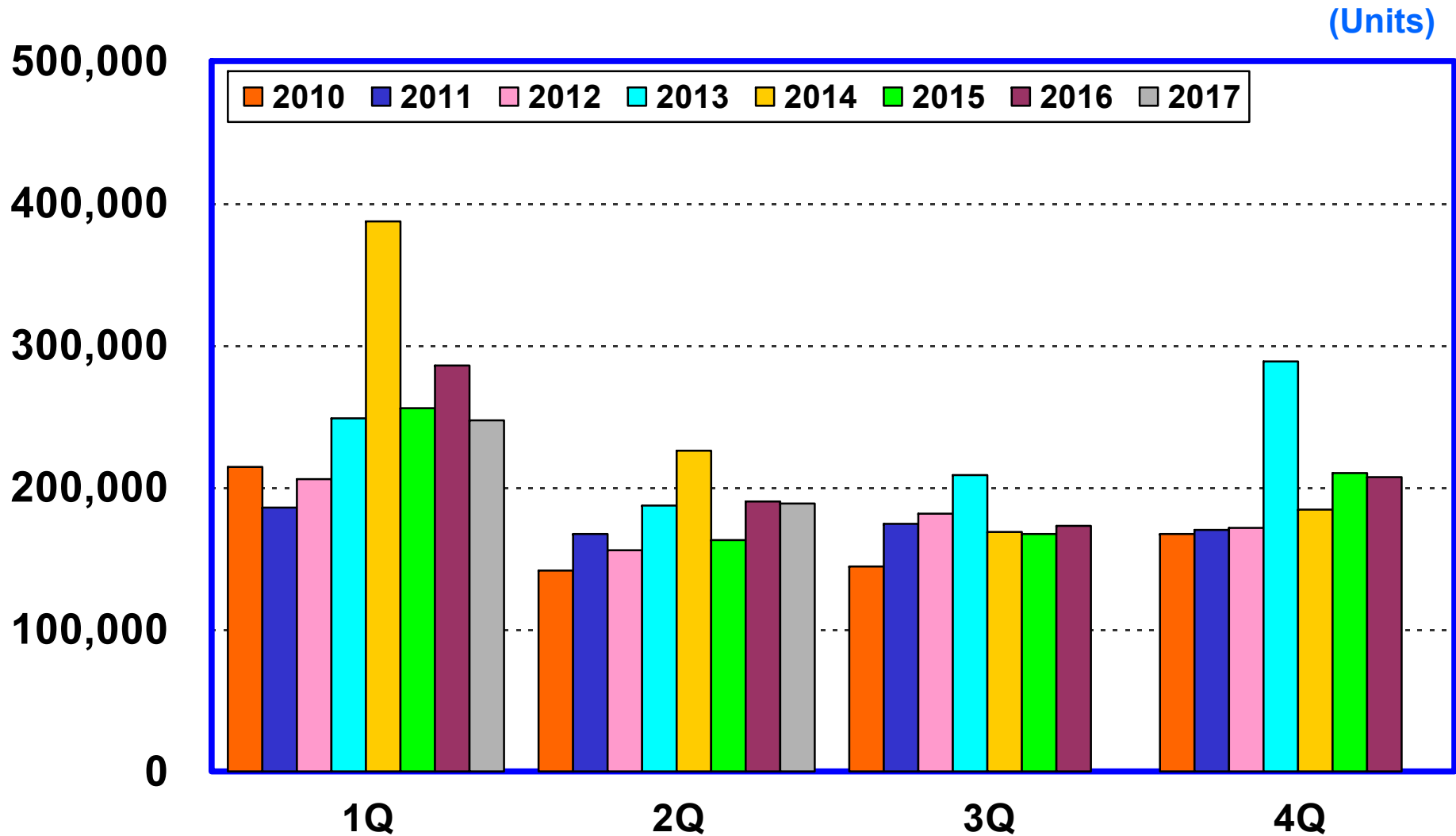
(ODS: Otsuka Document Solutions OSM: Otsuka Security Management)

<As reference: Number of Sales>

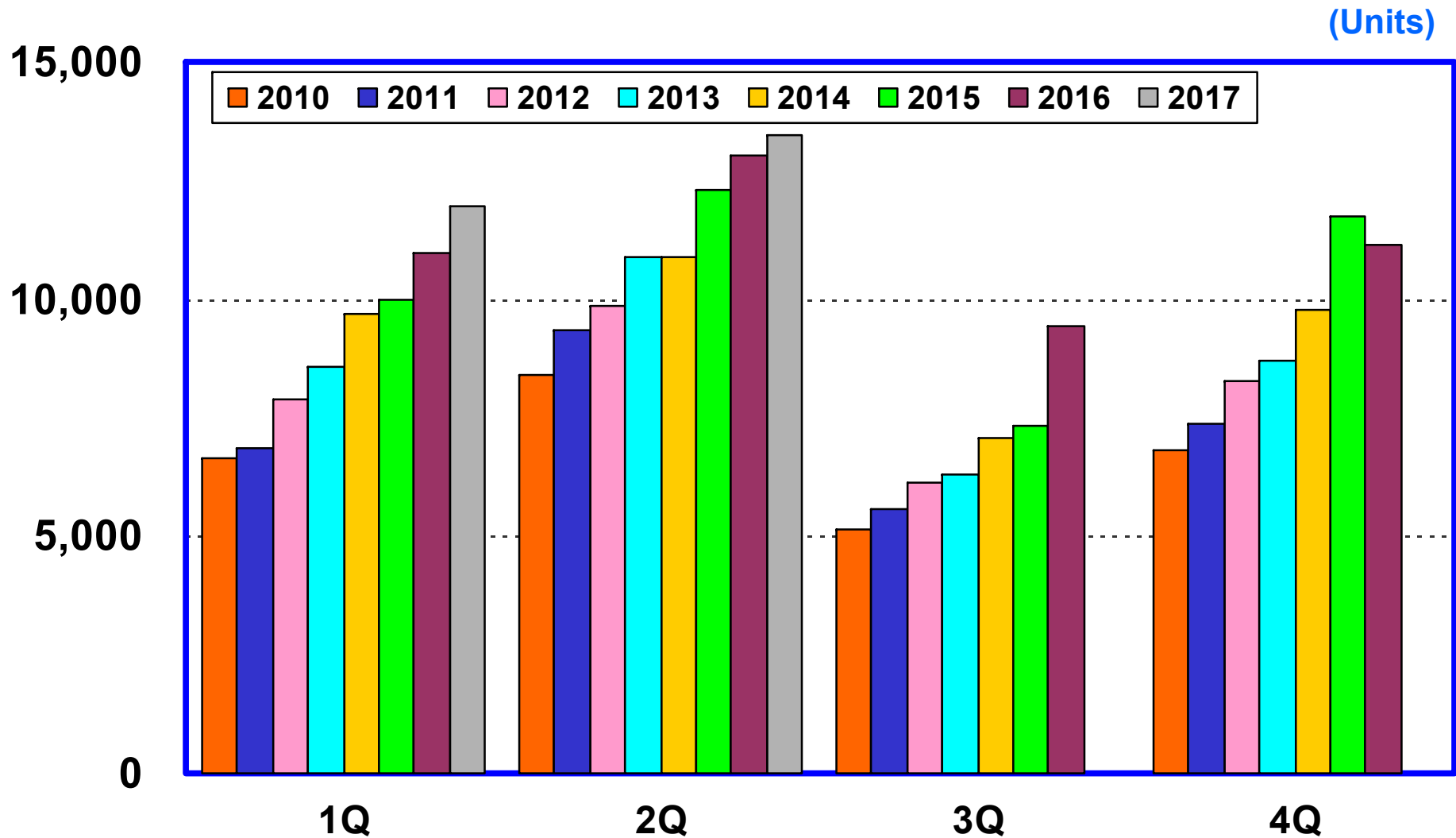
(Units)

Copier	22,294	24,007	+7.7%	25,440	+1,433	+6.0%	13,465	+448	+3.4%
(of which Color copier)	20,604	22,446	+8.9%	24,270	+1,824	+8.1%	12,927	+620	+5.0%
Server	21,943	18,425	-16.0%	16,021	-2,404	-13.0%	8,125	-5	-0.1%
PC	418,547	475,781	+13.7%	435,431	-40,350	-8.5%	188,696	-1,165	-0.6%
Client Total		507,800	+14.6%	453,087	-54,713	-10.8%	198,234	-4,819	-2.4%

Quarterly Number of PCs Sold

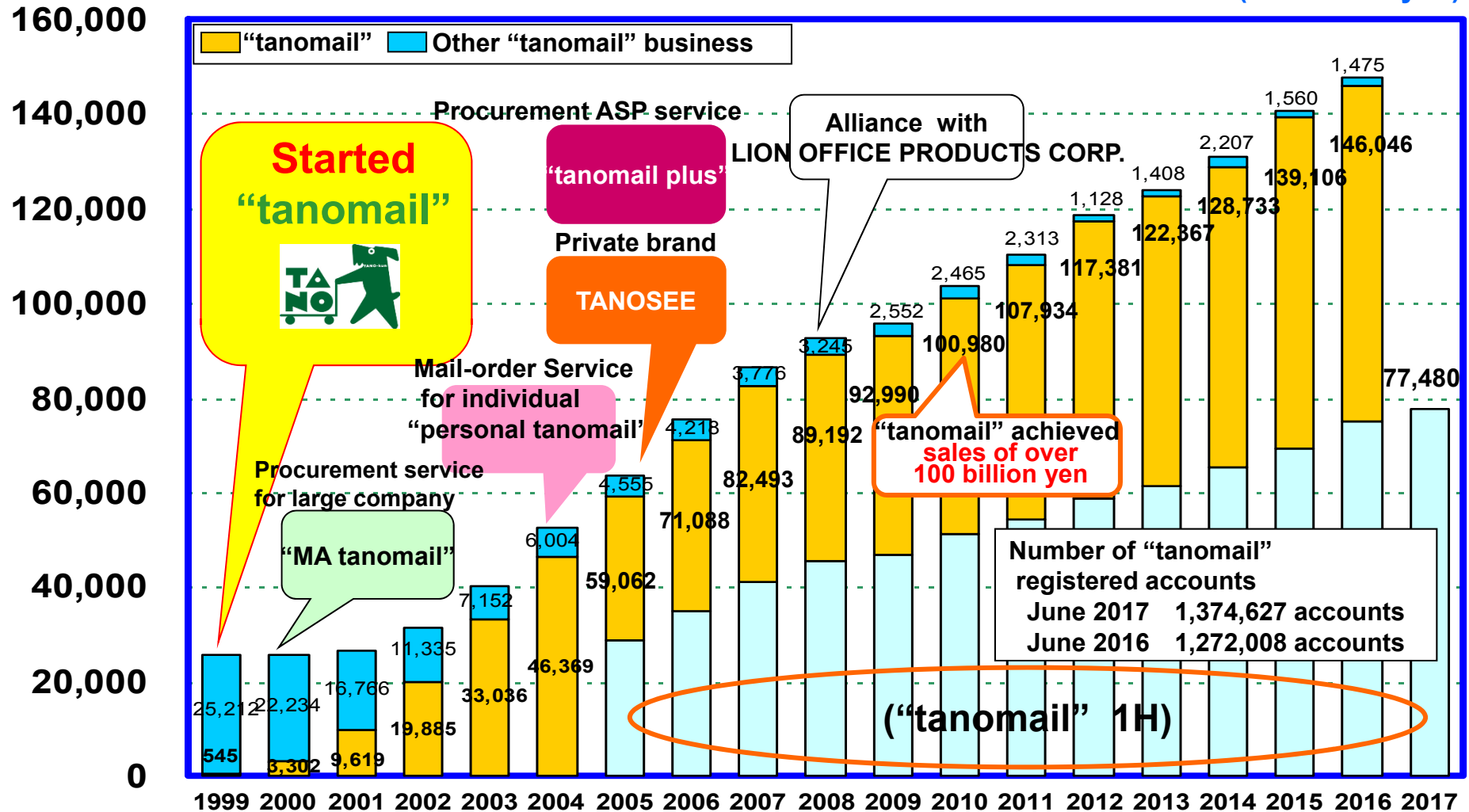


Quarterly Number of Copiers Sold

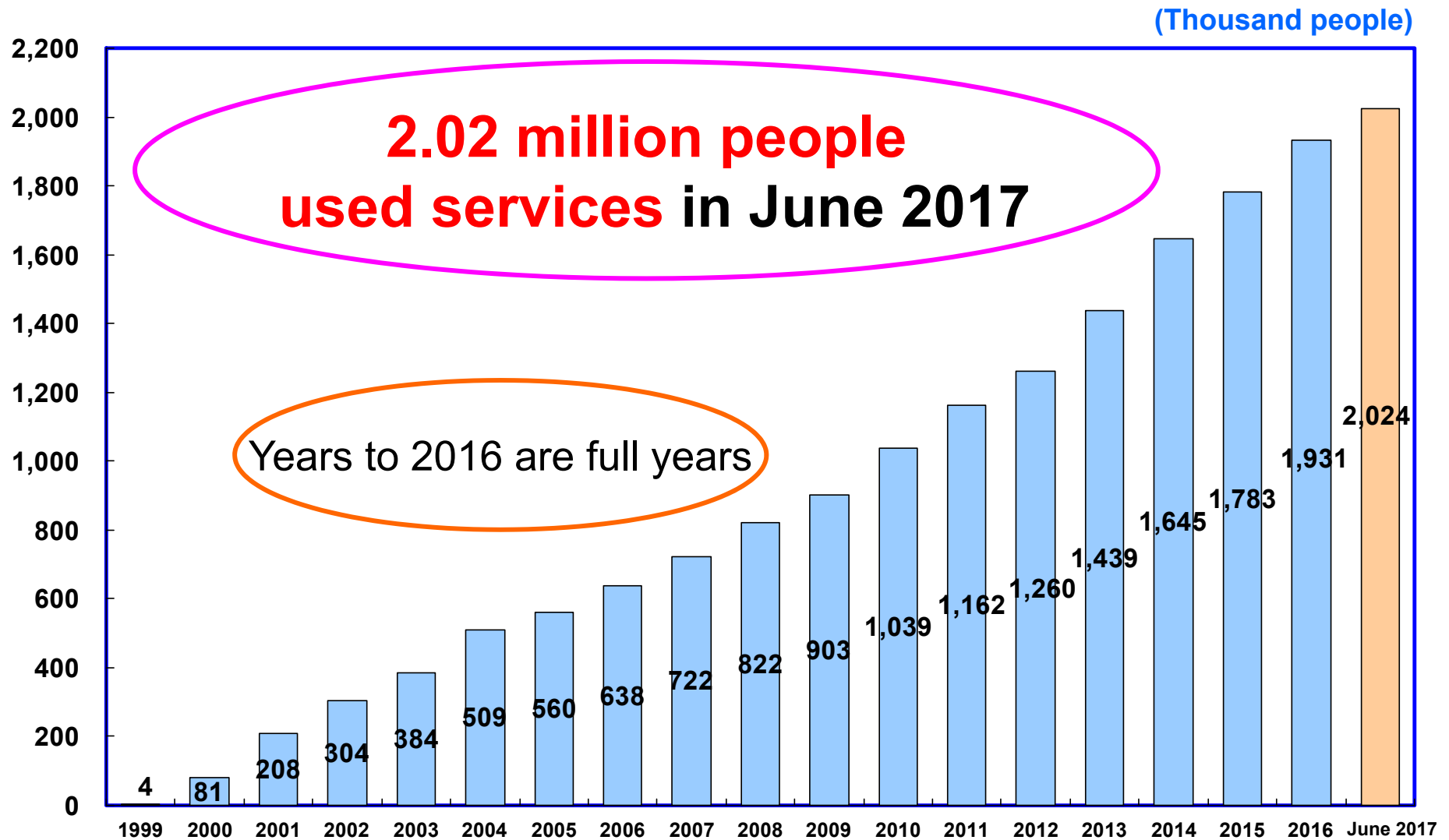


Annual sales transition of "tanomail"

(Millions of yen)



Number of Users of Main Web Services (ASP)



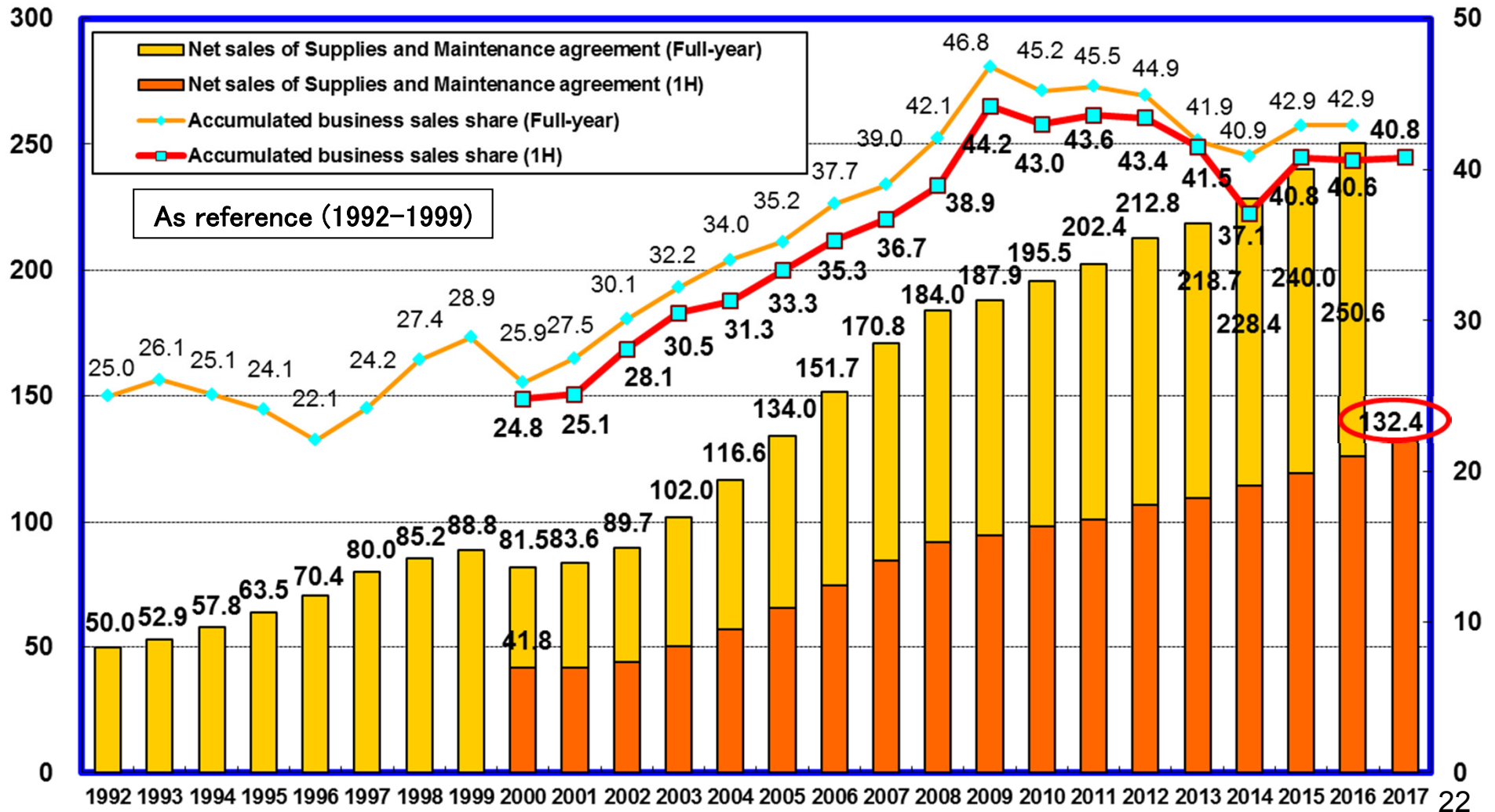
Growth of accumulated business

Net sales of Supplies and Maintenance agreement

Net sales of Supplies and Maintenance agreement (Billions of yen)

Accumulated business sales share

Accumulated business sales share (%)



Future Plans

The Basic Principle and Mid-Term Plans

< Basic principle >

- **Grow with customers by realizing the Mission Statement**

< Mid-term plans >

- **Workforce basically remains flat or will increase slightly**
- **Strive to expand business by increasing revenues and profits**

Aim to achieve 7% in operating income to net sales ratio and ordinary income to net sales ratio

- **Cultivate new demand by utilizing customer information**
- **Effective use of people/materials/money to improve per head productivity**

Market Forecast in the Second Half of 2017

- **Continued moderate growth in Japan and overseas**
- **Demand for aggressive IT investment, raising productivity and cost reductions**
- **Rising interest in new IT and IT application fields**
- **Spread of work style reform**
- **Strong demand by companies for IT utilization and energy-saving**

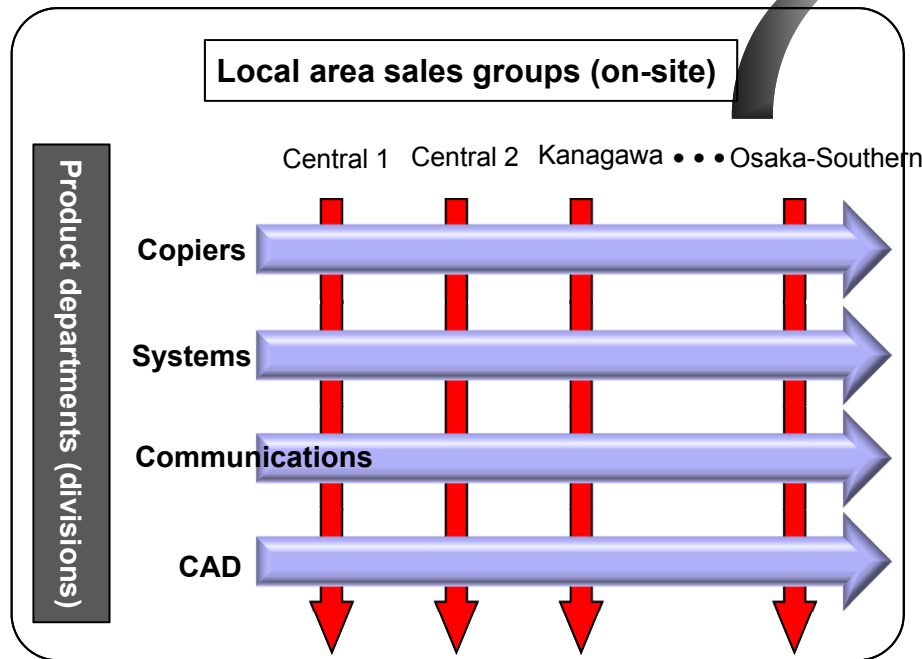
Policies and Measures in the Second Half of 2017

“Solve customer troubles on all fronts and live up to customer trust”

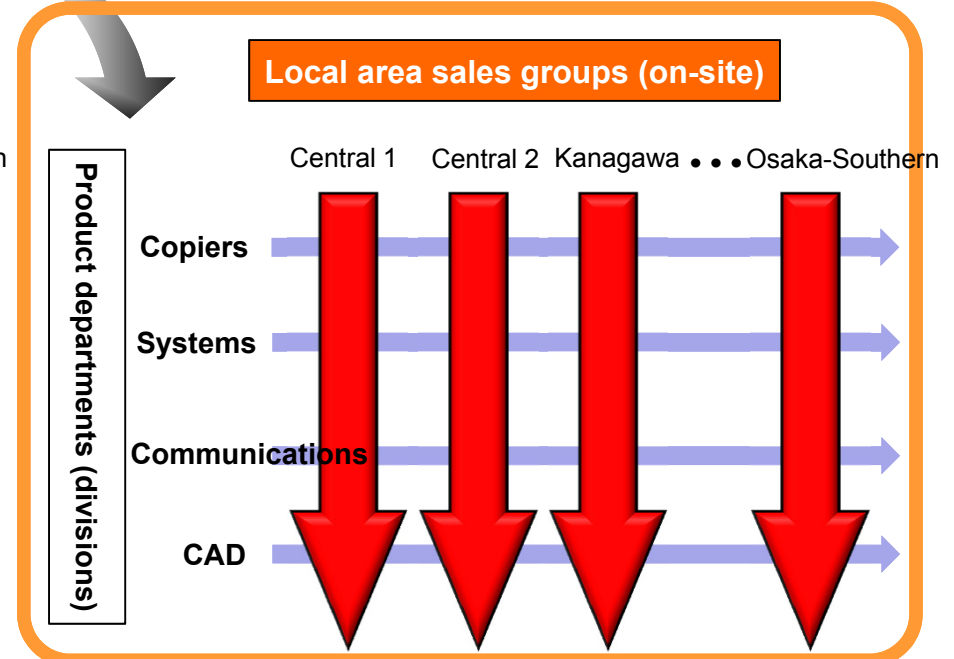
- **Strengthen on-site capabilities and customer contact points through business management led by local area sales groups**
- **Expansion of business items with customers and cross-selling**
- **Implement the Company’s work style reform**
- **Support customers’ work style reform**
- **Respond to the sophistication of security**
- **Strengthen initiatives for responding to new technologies**
- **Strengthening of proposal of network solutions**

Shift from Division-Led to Local Area-Led Sales Structure

Up to the present



After change (August 2016~)



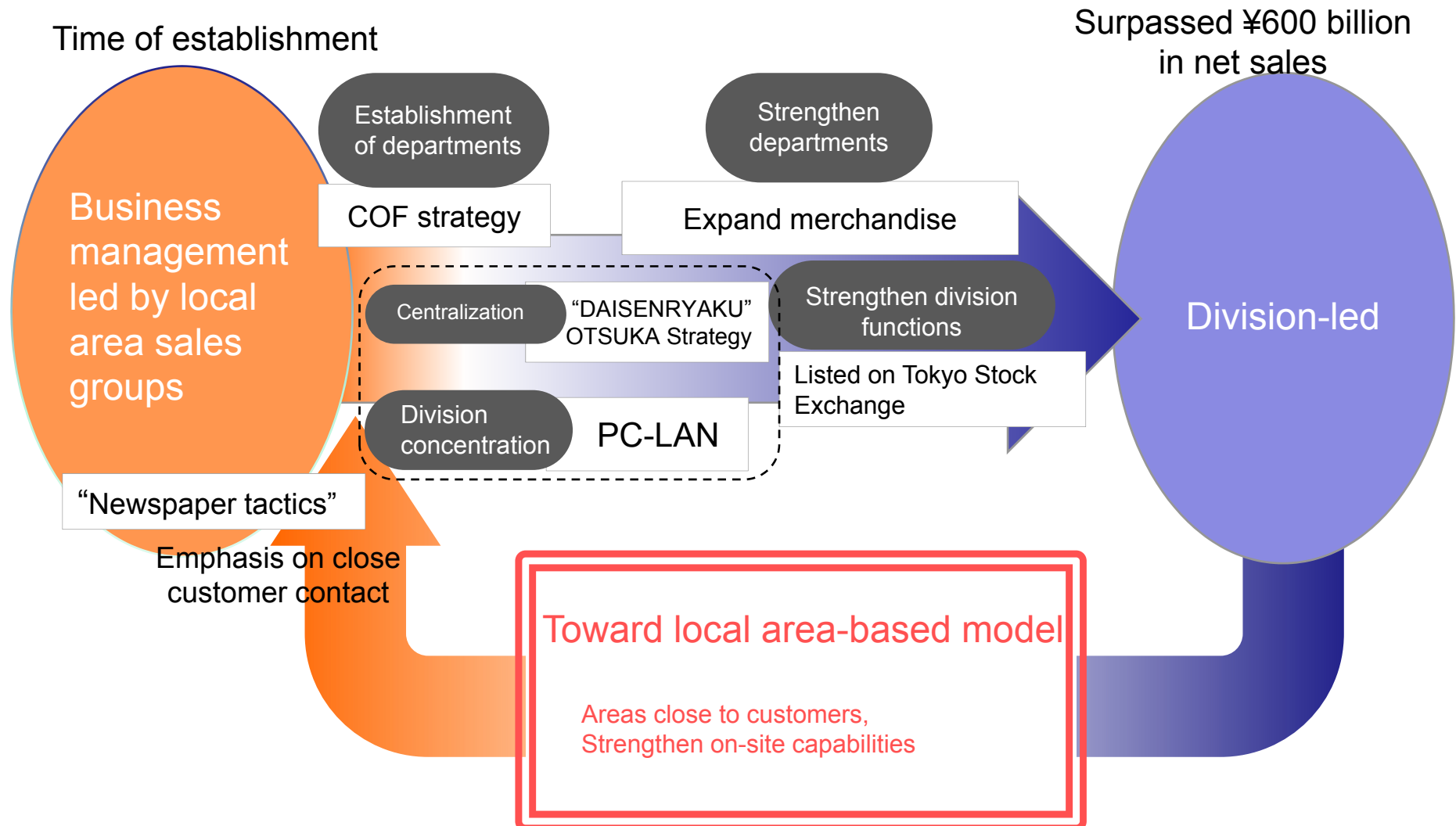
Change from product-based to regional-based on-site business management to get close to customers

Respond to the different needs of each region

Sales Group Managers will become
“Regional Presidents”

“The answer is on-site at each location”

Return to Origins



Create New Relationships with Customers

Enrich and strengthen IT utilization, customer contact points

Customer personalized pages

Create relationships with customers via the Web

The screenshot shows the 'Customer My Page' (お客様マイページ) section of the Otsuka Chamber of Commerce website. The page features a navigation menu with options like 'Solution & Products', 'Customer My Page', and 'Enterprise Information'. Below the menu, there's a main heading 'お客様マイページ' and a sub-heading 'ソリューション・製品の導入における疑問や機器のご利用における、課題やトラブルの解決をサポートします。'. A large banner image shows a woman working at a computer. At the bottom, there's a search bar and a navigation bar with links for 'Login', 'New Registration (Free)', and 'My Page Usage Guide'.

AI

Testing and verification underway

1) Telephone operators



Answer pop-ups

Voice to automated text

2) Companywide utilization of Big Data



Forecast analysis
Marketing,
automation
Scenario design

3) Chatbot



[Corporate Website]
Mr. PC replies

Work style reform

Company history

Continually anticipate work style reform, raise productivity

Company in-house responses

Anticipate numerous trends

- Introduction of PCs at each base in 1986
- Introduction of mobile devices
- Same environment as office even when outside the office

▼ Further implementation (July~)

- 1) Sales staff teleworking (trial operation)
- 2) Half-day-off system (newly established)
- 3) Home telecommuting (begun)

Implementation at any time	4) Corrective measures for long working hours	6) Satellite offices
	5) Adjustment for appropriate working hours	7) Other measures for enhancing efficiency

Deployment

Respond to customers

Support customers' "work style reform" based on own-company case examples

Establish a work environment

たよれ-る Office 365

eValue NS 2nd Edition

SMILE BS 2nd Edition

Switch off lights all at once

Teleconferences

Mobile devices

Telework

たよれ-る どこでもキャビネット

たよれ-る どこでもコネク

たよれ-る どこでもワークプレイス

Curtail overtime

勤次郎

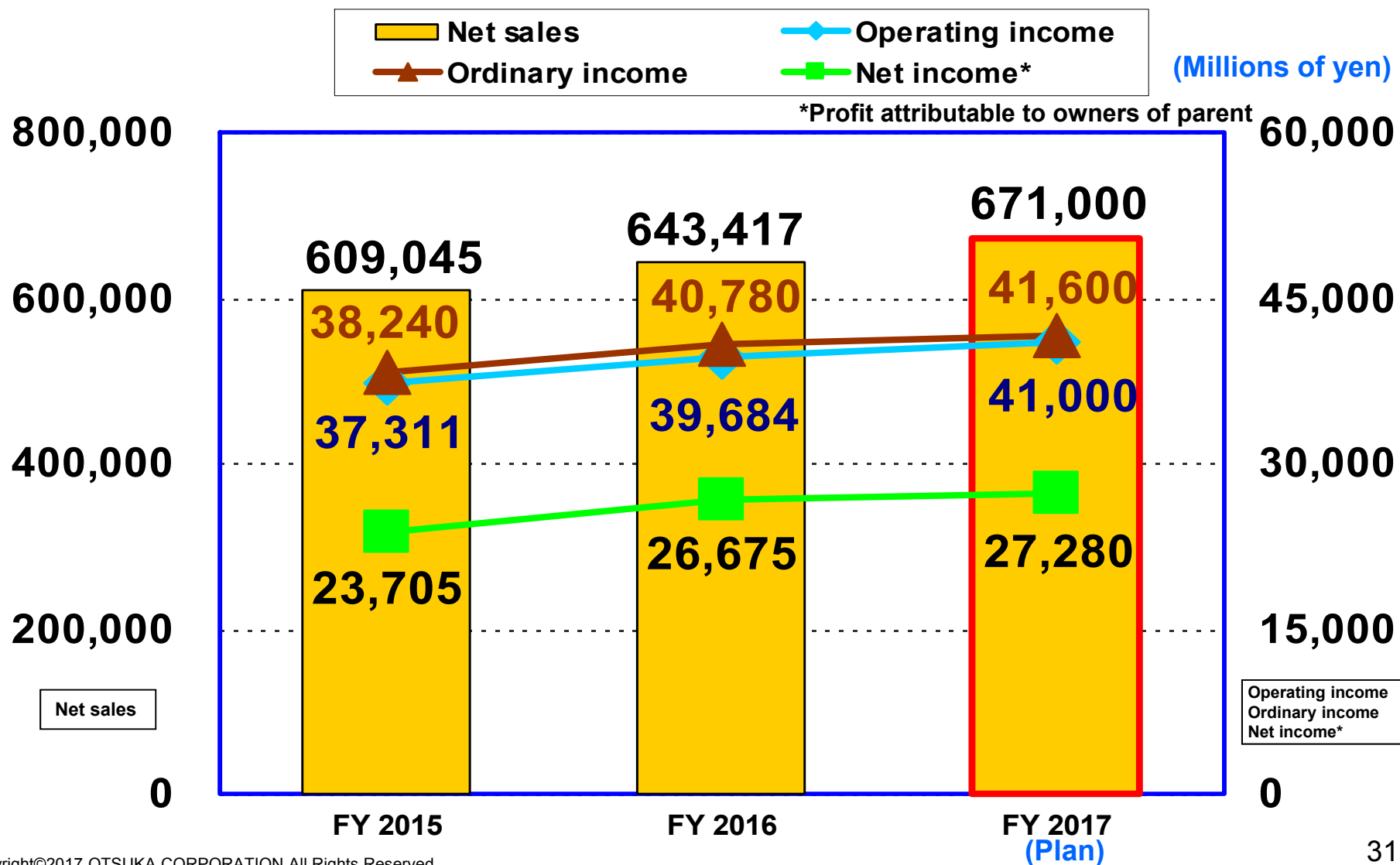
SKYSEA Client View

An abundant support selection

LED& Plugwise

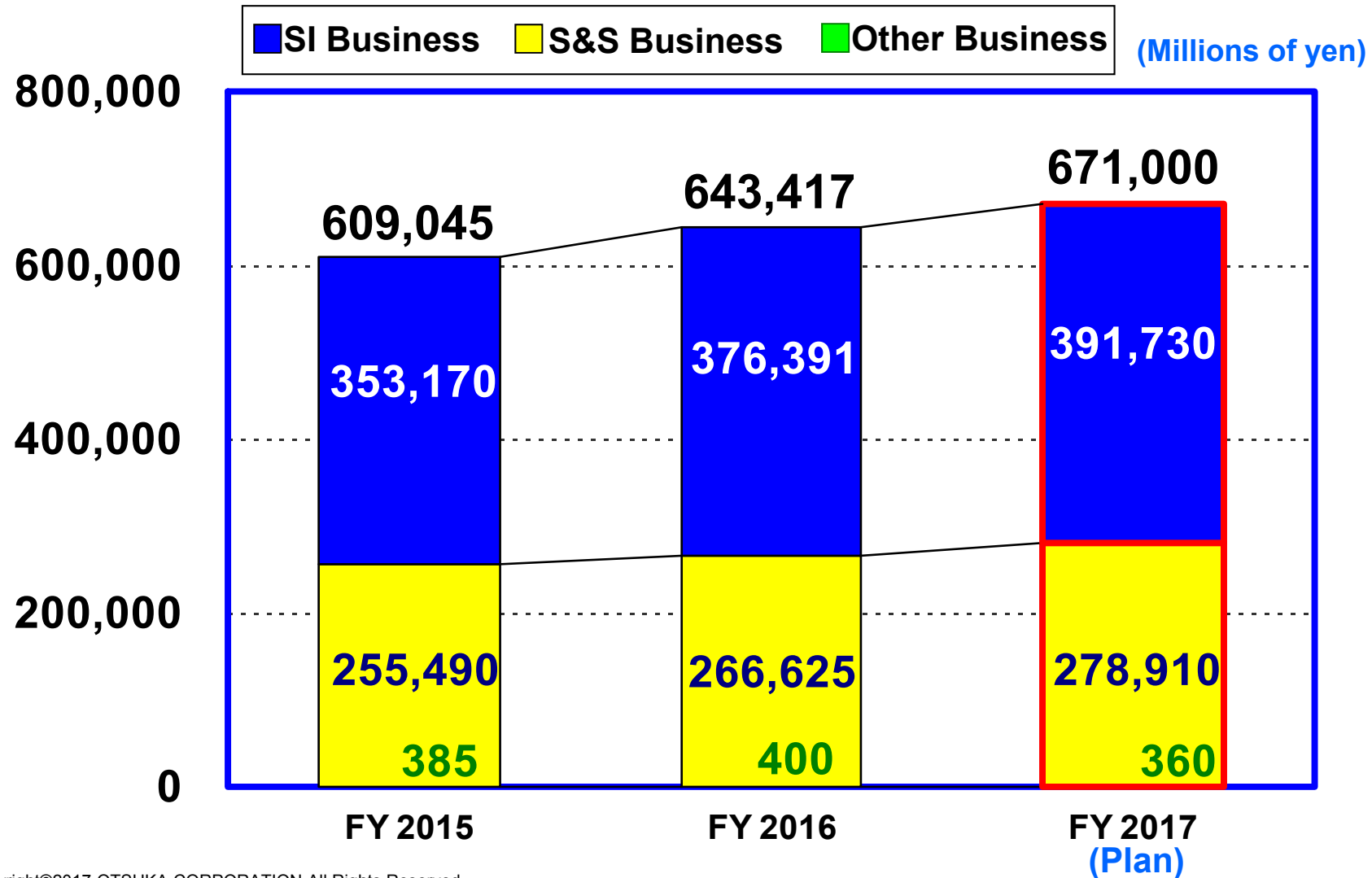
Consolidated

Plans of Net sales and profit



Consolidated

Plans of Net sales by segments



Fukei no Ashiato (Footprint of Scenery)

A program presented entirely by OTSUKA CORPORATION

Broadcasts began in April

Television Tokyo (local broadcaster in Kanto) Every Tuesday 22:54-





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