



# **Business Results**

**for the fiscal year ended December 31, 2017**

**February 1, 2018**

**OTSUKA CORPORATION**

**Yuji Otsuka, President**

# Summary of Business Results, January – December, 2017

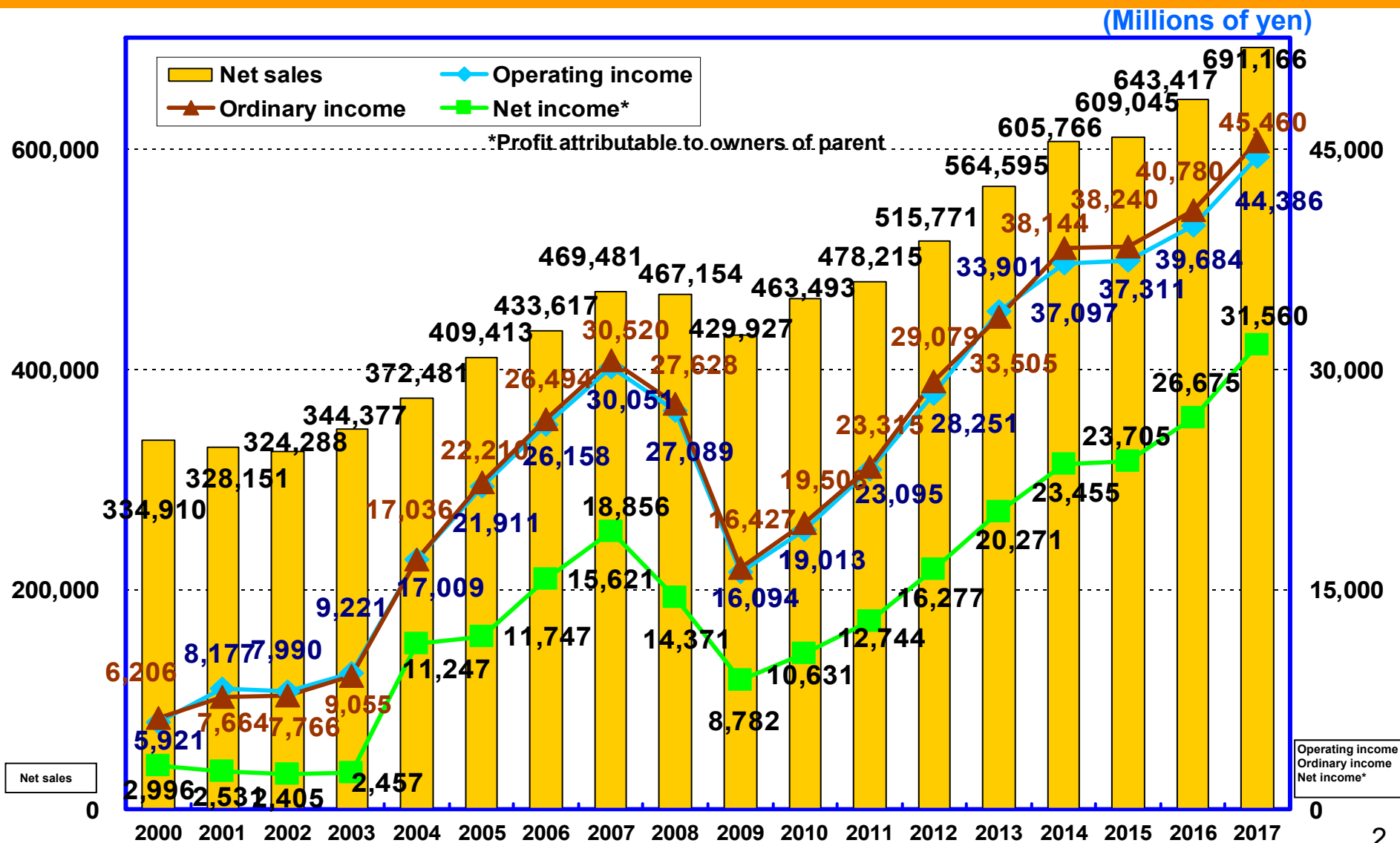
(Millions of yen)

	Consolidated			Non-Consolidated		
	Amount	Ratio to Plan	Change to Last Year	Amount	Ratio to Plan	Change to Last Year
<b>Net sales</b>	<b>691,166</b>	<b>103.0%</b>	<b>+7.4%</b>	<b>624,694</b>	<b>102.5%</b>	<b>+6.9%</b>
<b>Operating income</b>	<b>44,386</b>	<b>108.3%</b>	<b>+11.9%</b>	<b>39,776</b>	<b>106.1%</b>	<b>+10.2%</b>
<b>Ordinary income</b>	<b>45,460</b>	<b>109.3%</b>	<b>+11.5%</b>	<b>41,162</b>	<b>106.4%</b>	<b>+10.0%</b>
<b>Net income*</b>	<b>31,560</b>	<b>115.7%</b>	<b>+18.3%</b>	<b>28,899</b>	<b>111.8%</b>	<b>+16.6%</b>

\*Profit attributable to owners of parent

Consolidated

# Performance Results

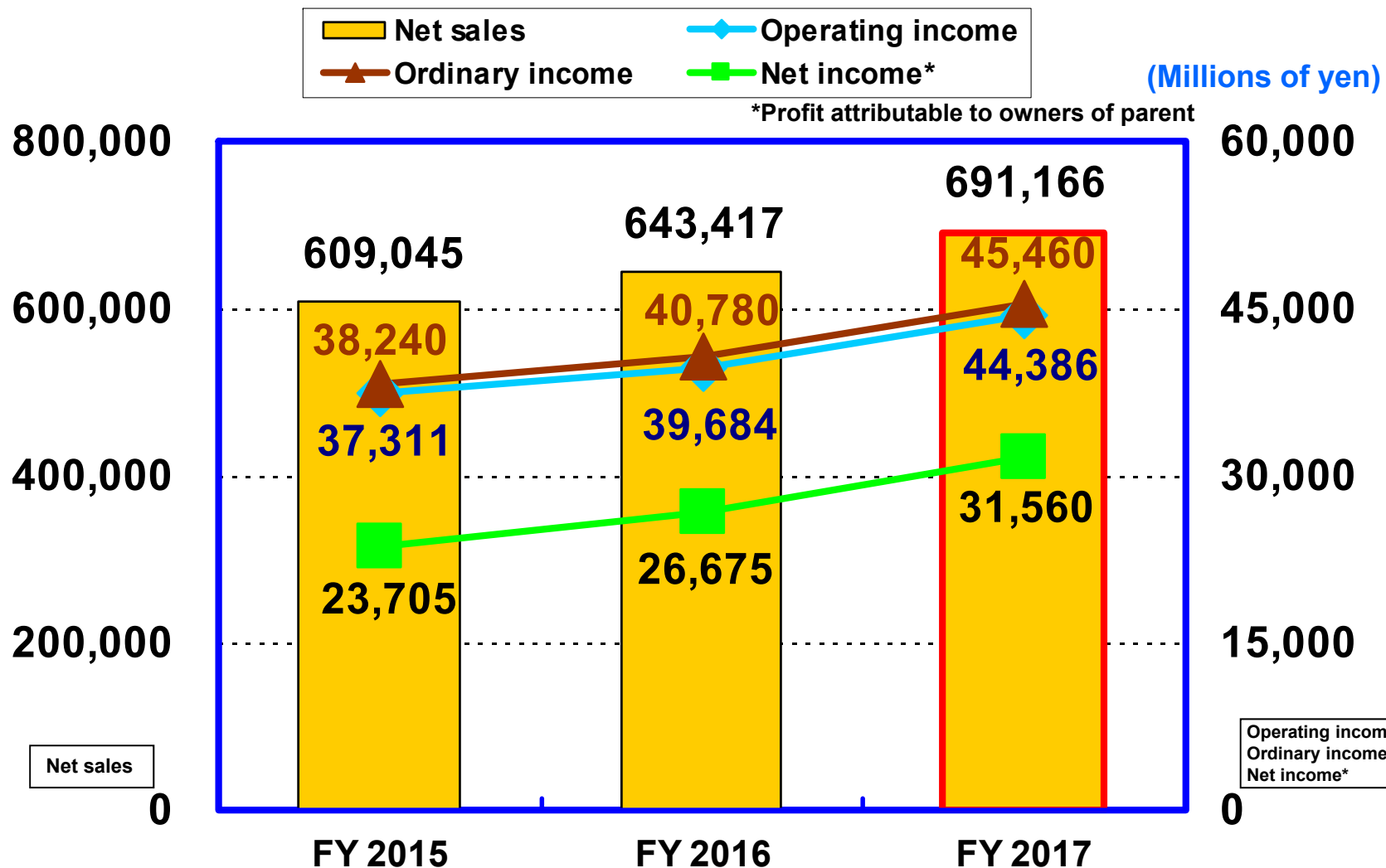


# Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	FY 2017 Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	424	8,651
	Net World Corporation	Sales and technology support for network-related equipment	388	91,265
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	324	4,661
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	421	8,208
Others	Otsuka Auto Service Co., Ltd	Maintenance and body work for automobiles, and commissioned sales of insurance	21	491

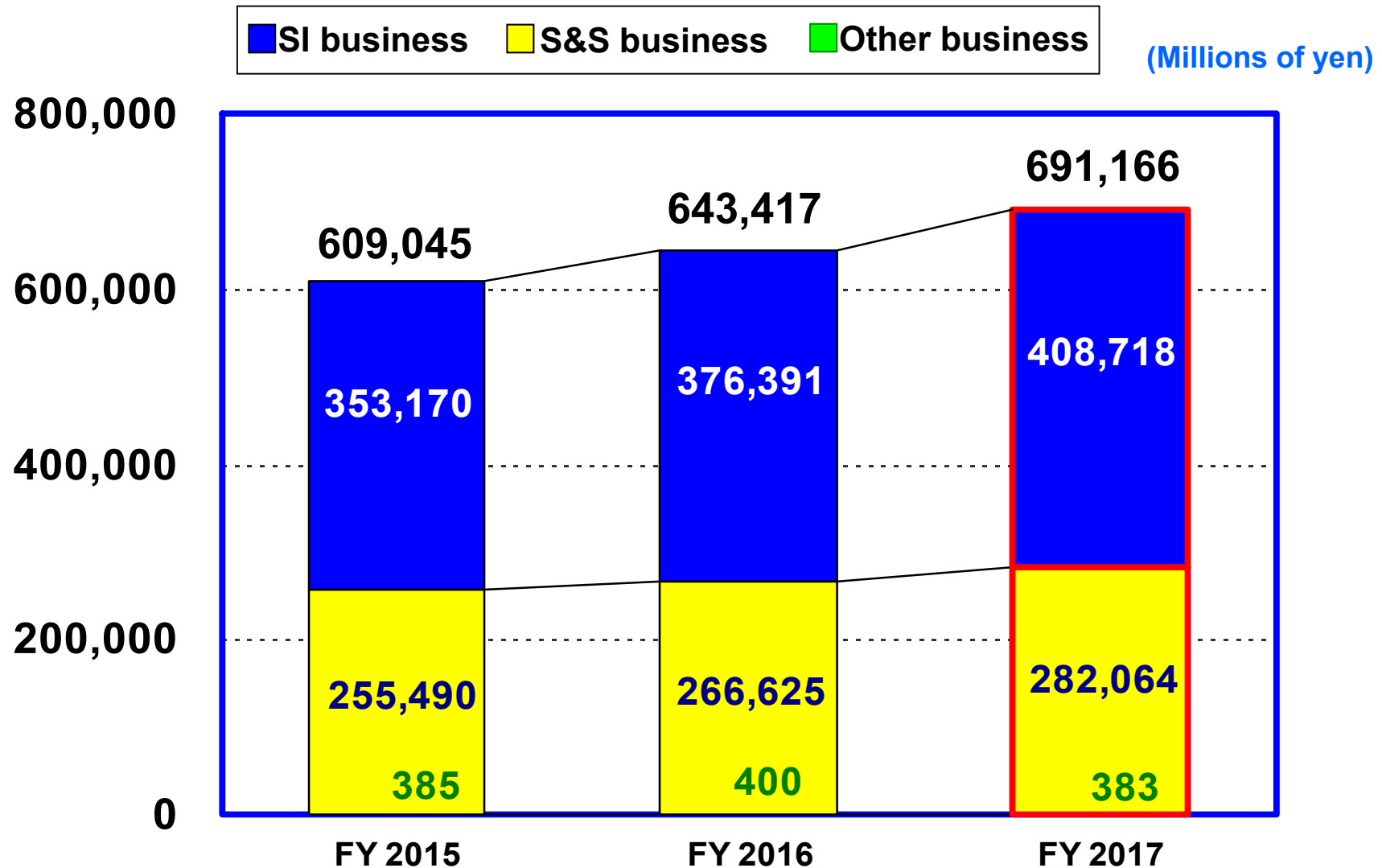
Consolidated

# Net sales and Profits

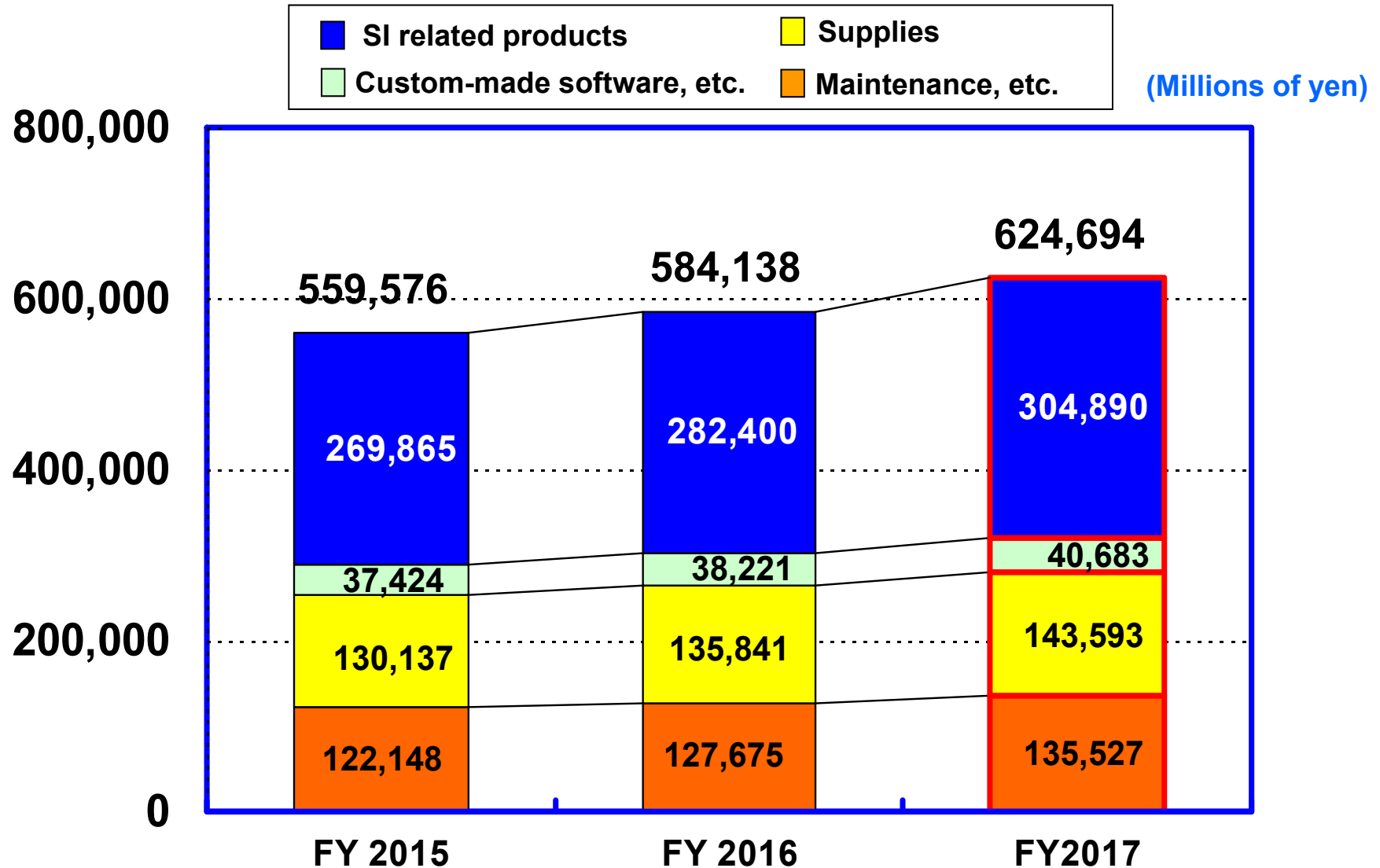


Consolidated

# Net sales by segments

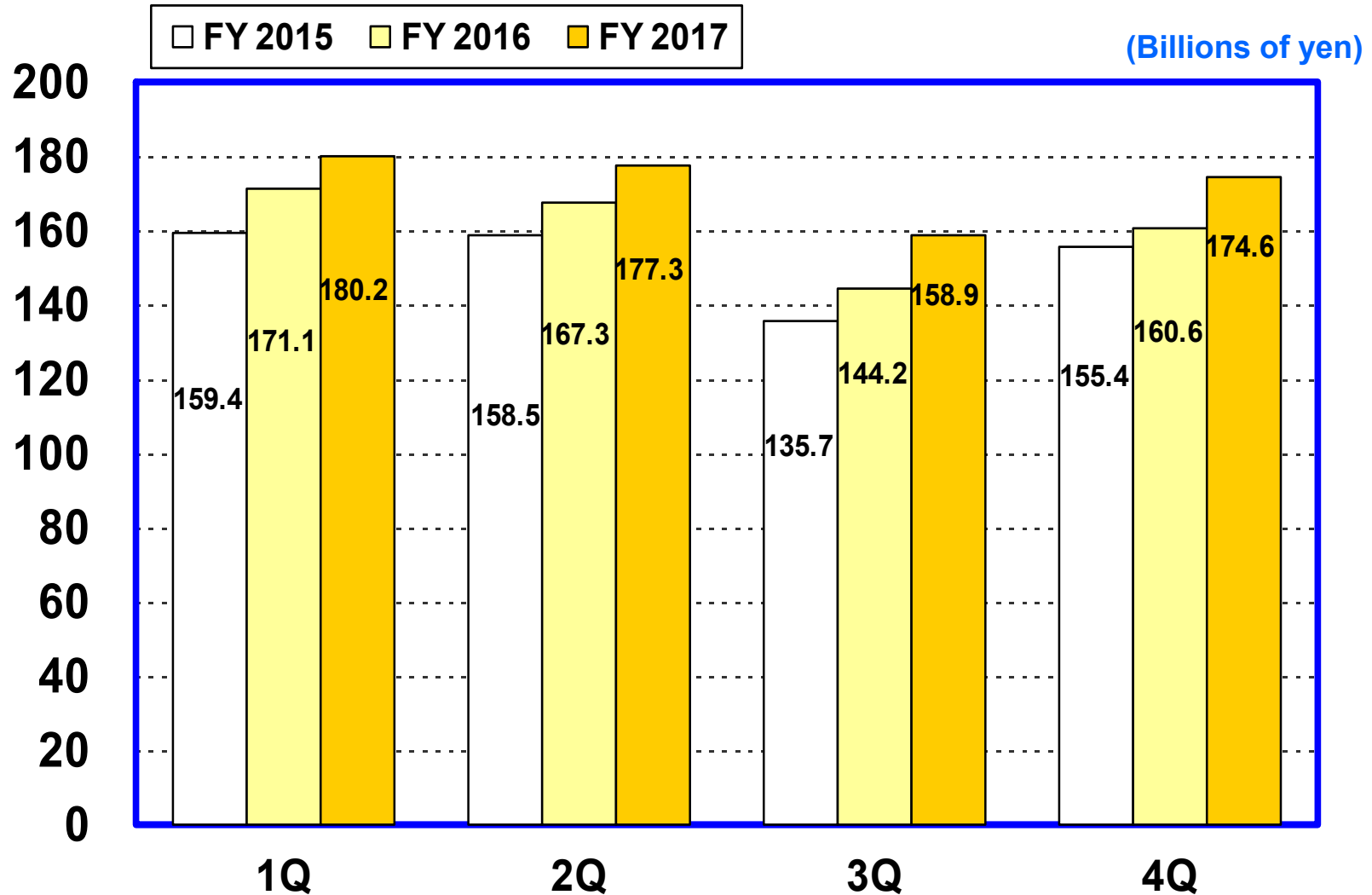


# Net sales by 4 segments



Consolidated

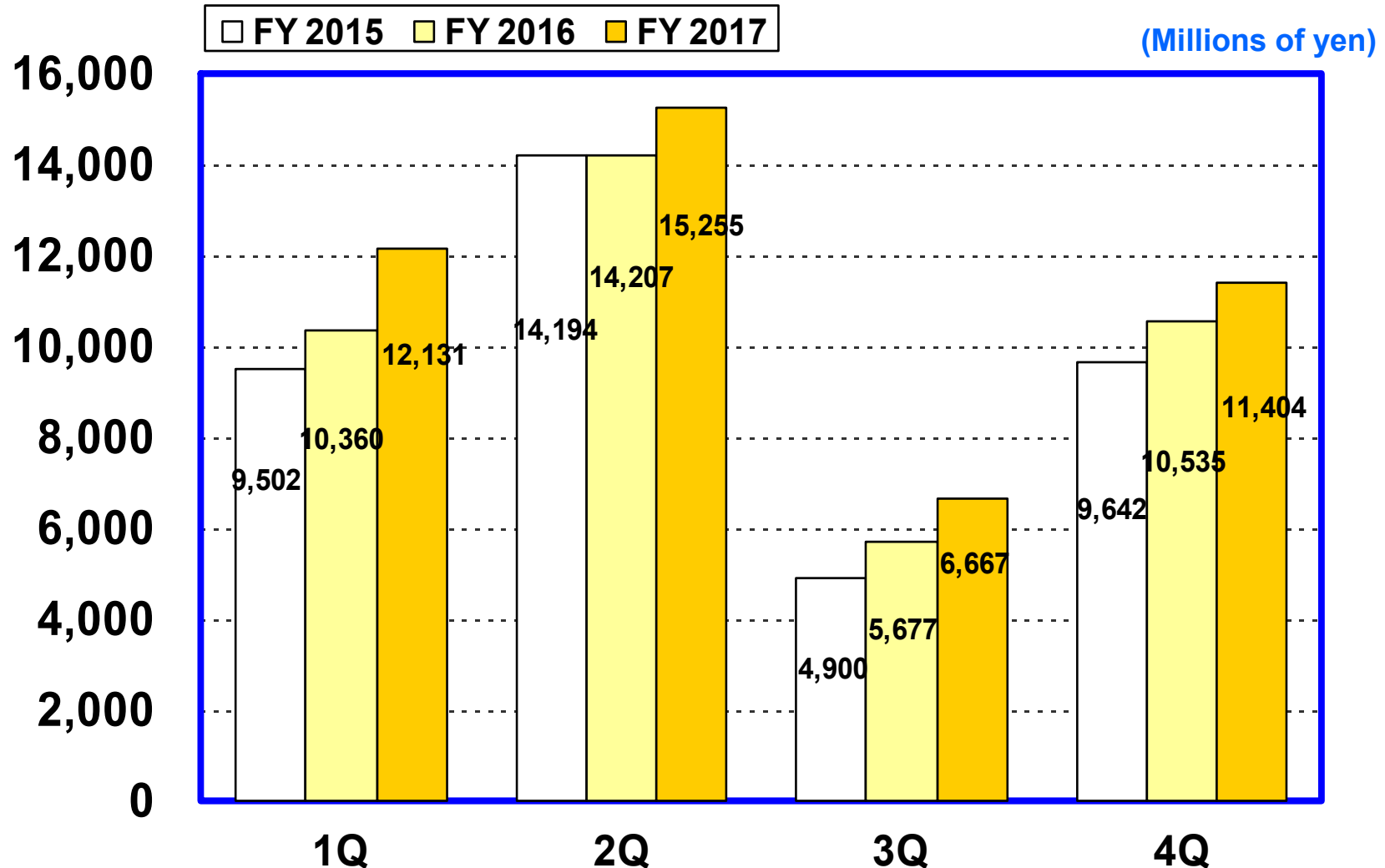
# Quarterly change of Net sales





Consolidated

# Quarterly change of Ordinary income



# Summary of Business Results, October – December, 2017

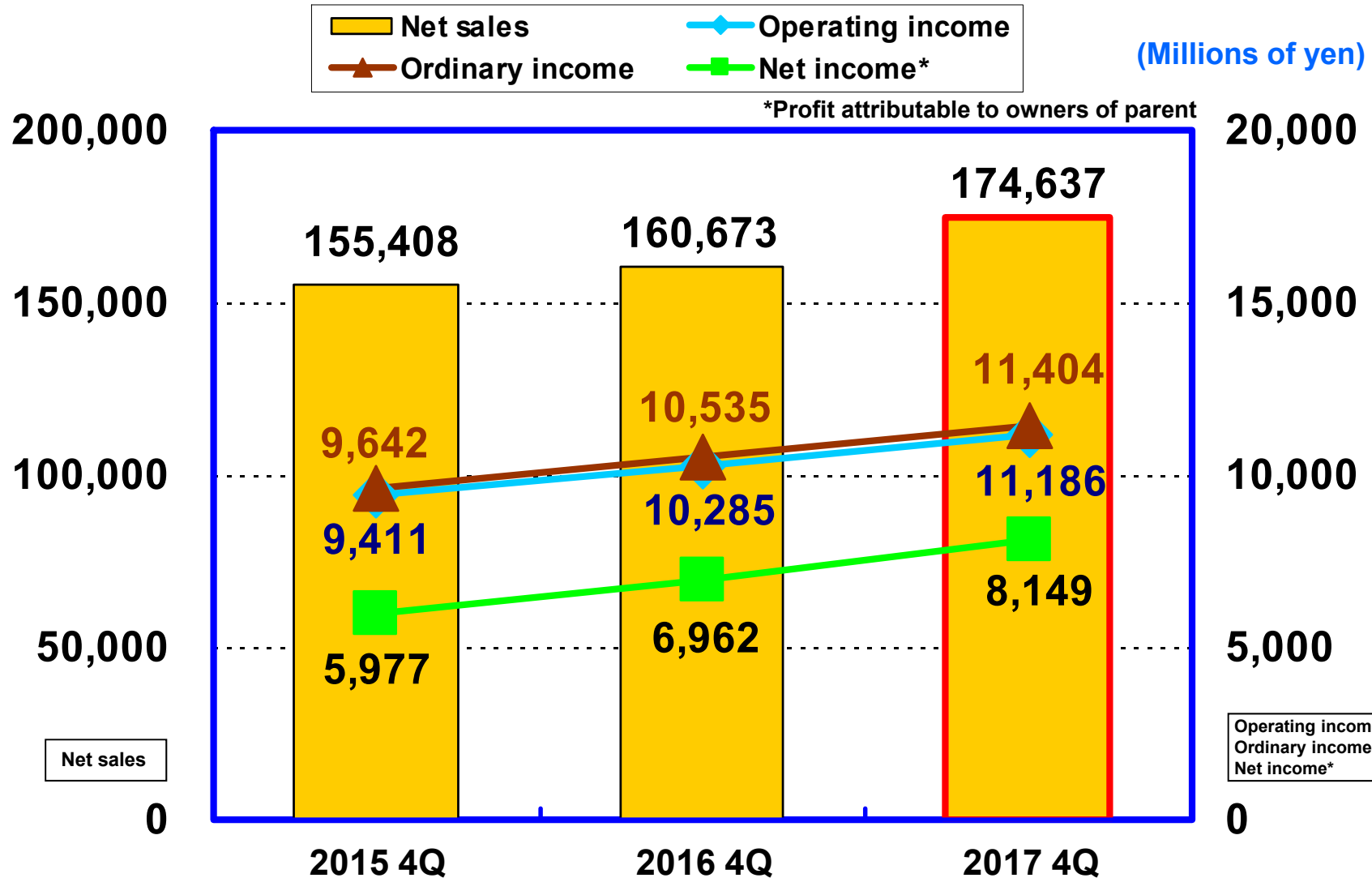
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	174,637	+8.7%	156,729	+9.0%
Operating income	11,186	+8.8%	9,826	+6.1%
Ordinary income	11,404	+8.3%	9,982	+6.3%
Net income*	8,149	+17.1%	7,168	+14.0%

\*Profit attributable to owners of parent

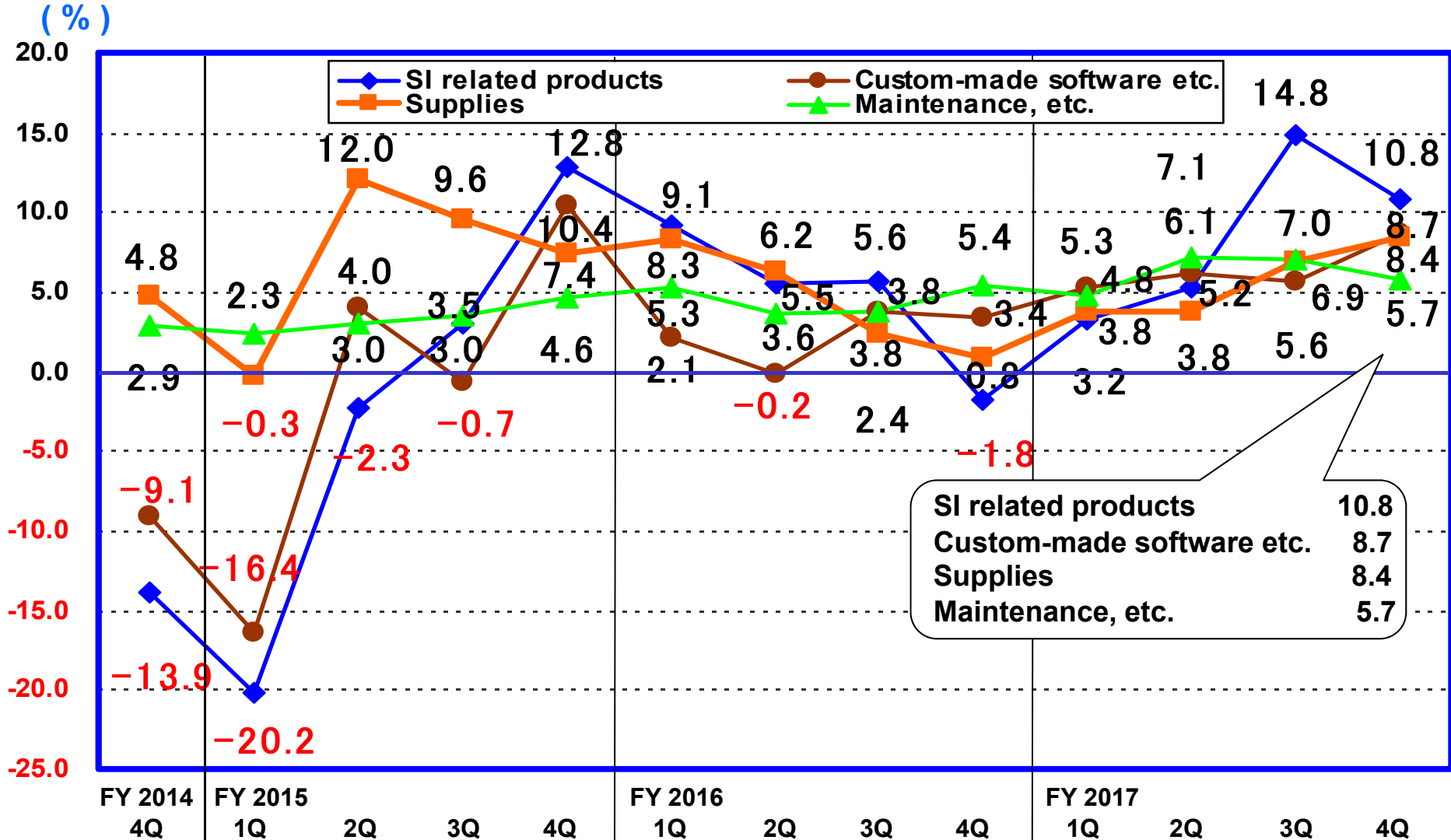
Consolidated

# Net sales and Profits, October – December



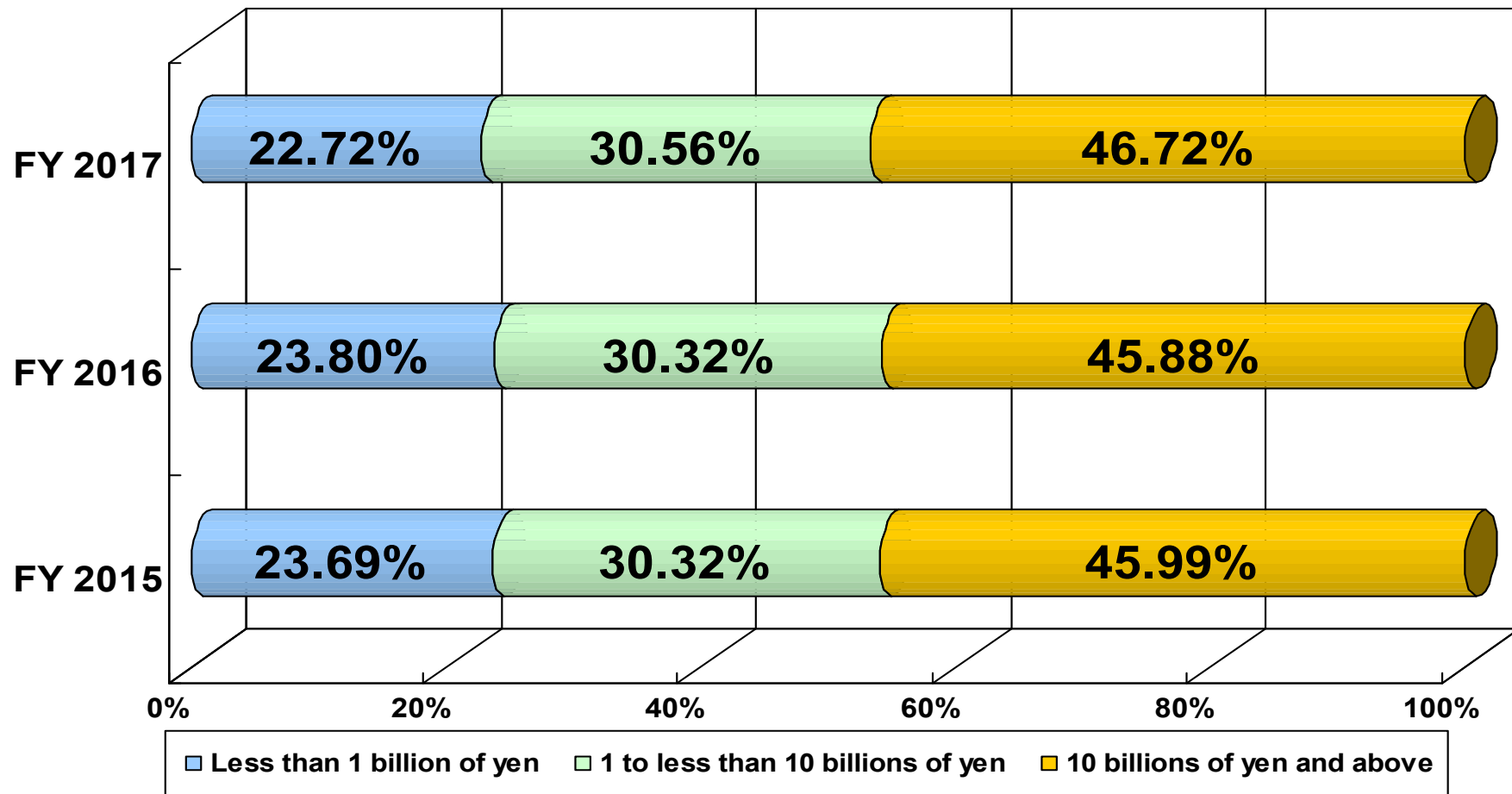
Non-Consolidated

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



Non-Consolidated

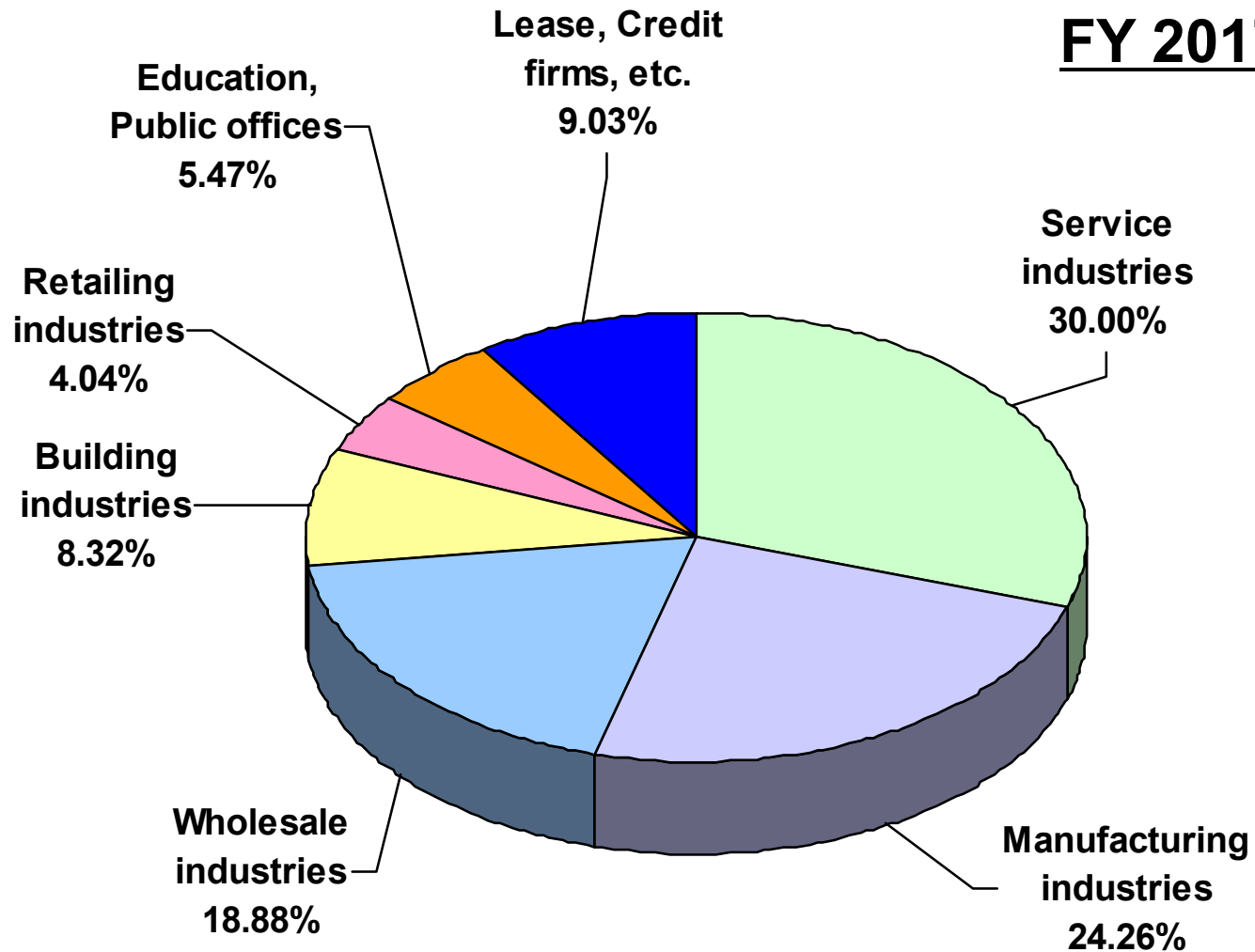
# Net sales structure on customers' total annual business scale



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

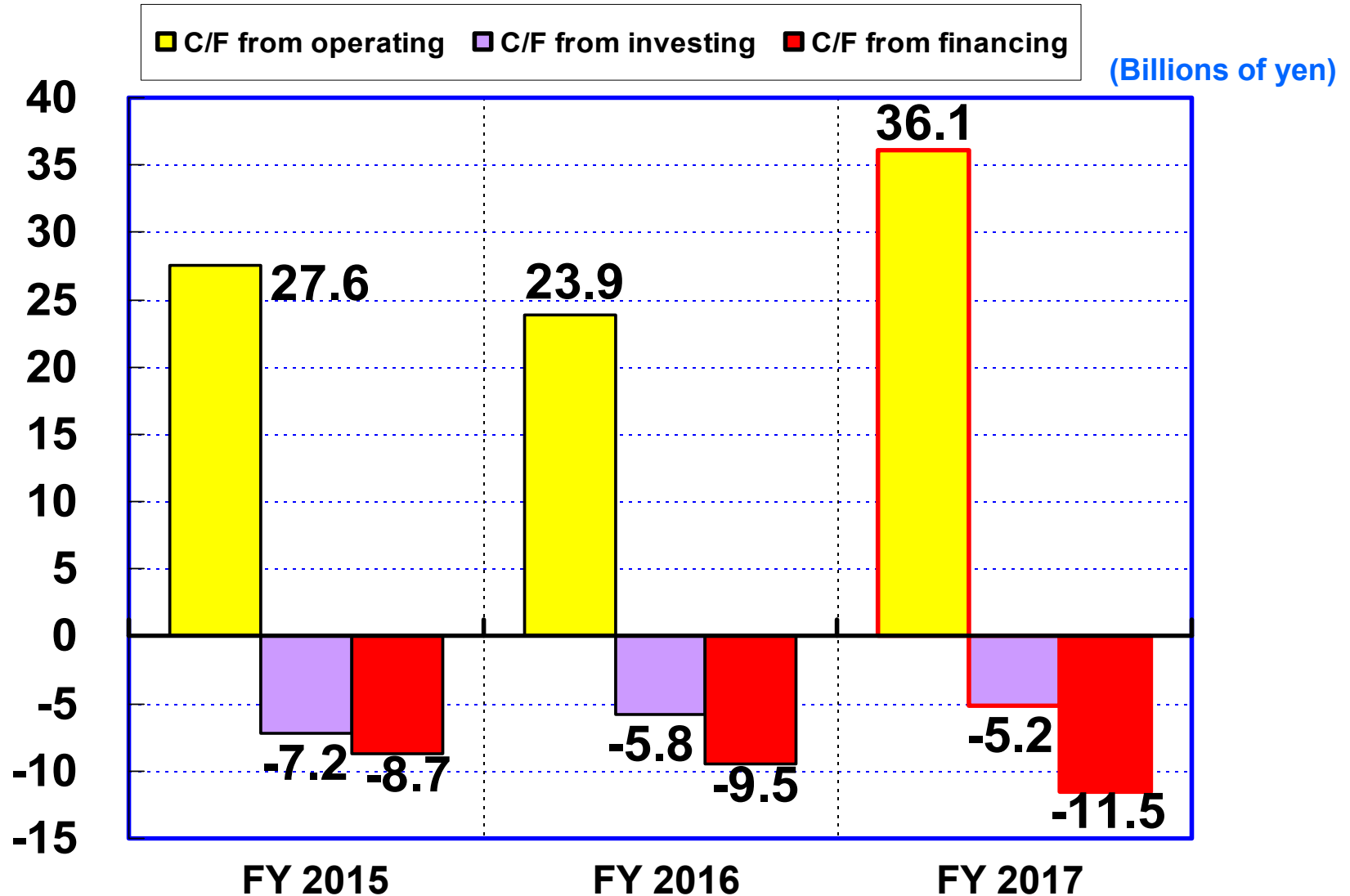
# Sales breakdown by customers' type of industry

**FY 2017**



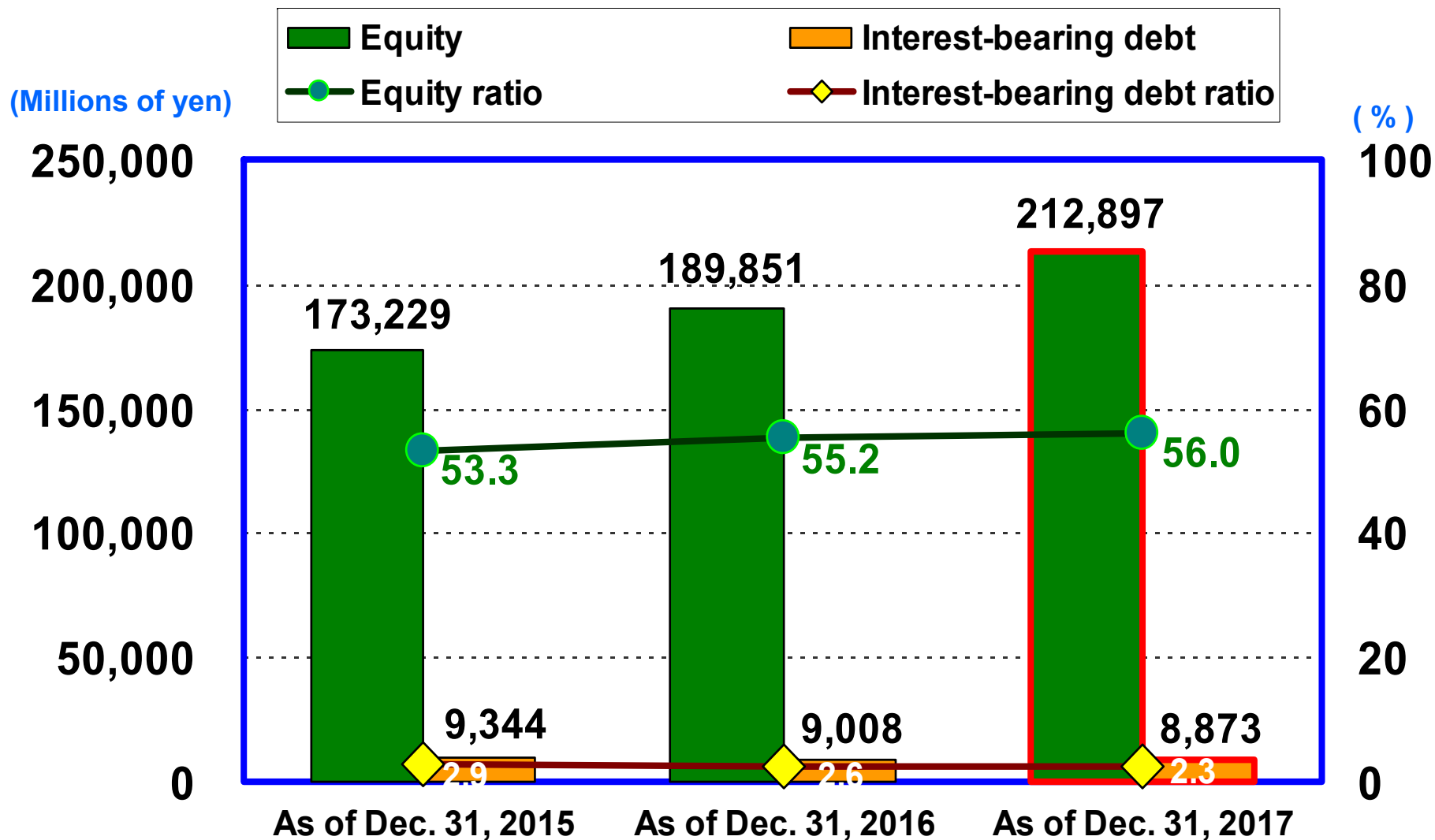
Consolidated

# Cash flows



Consolidated

# Equity and Interest-bearing debt

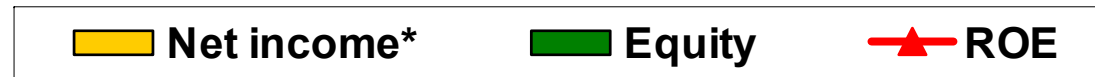




Consolidated

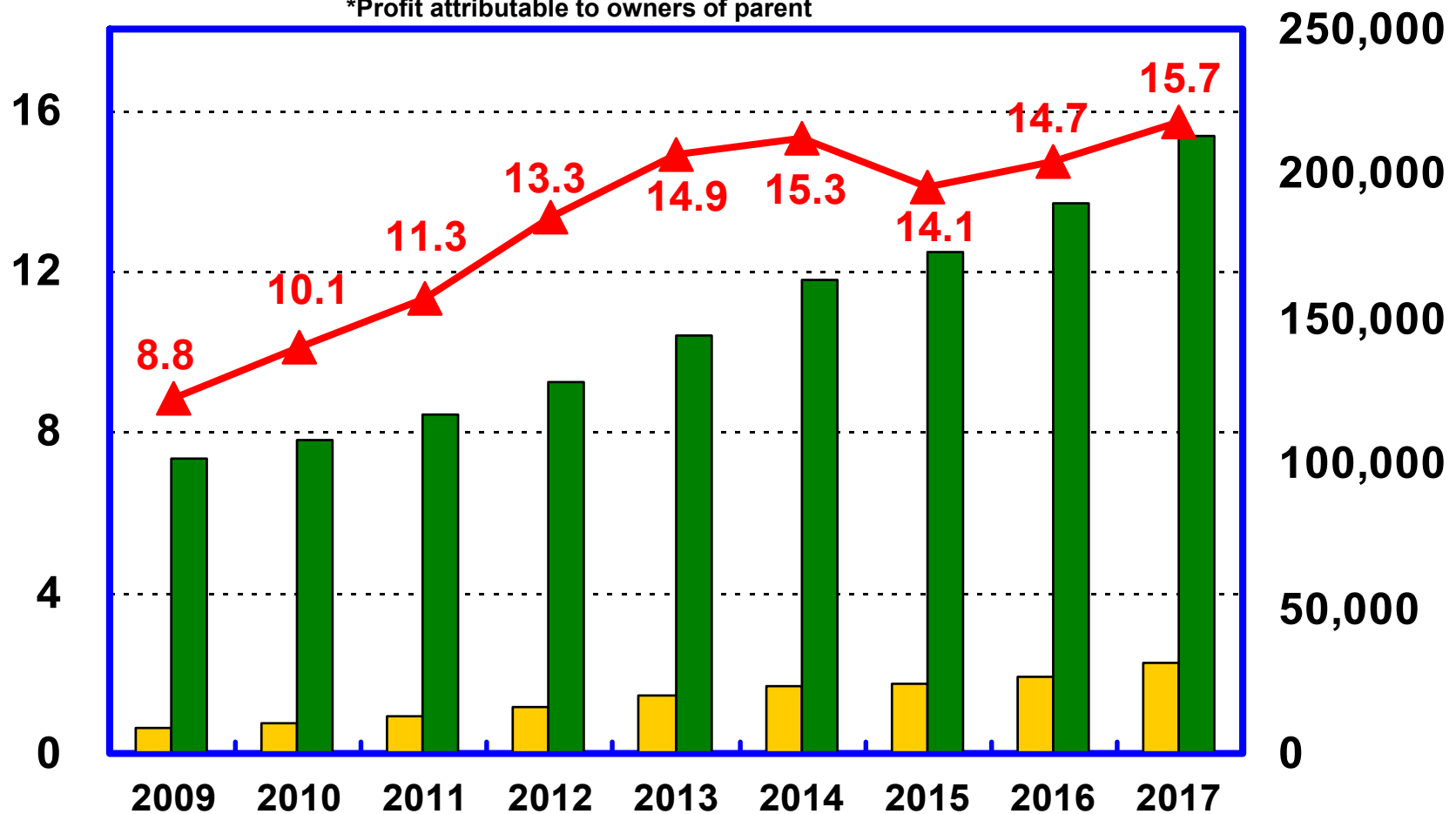
# ROE

(%)



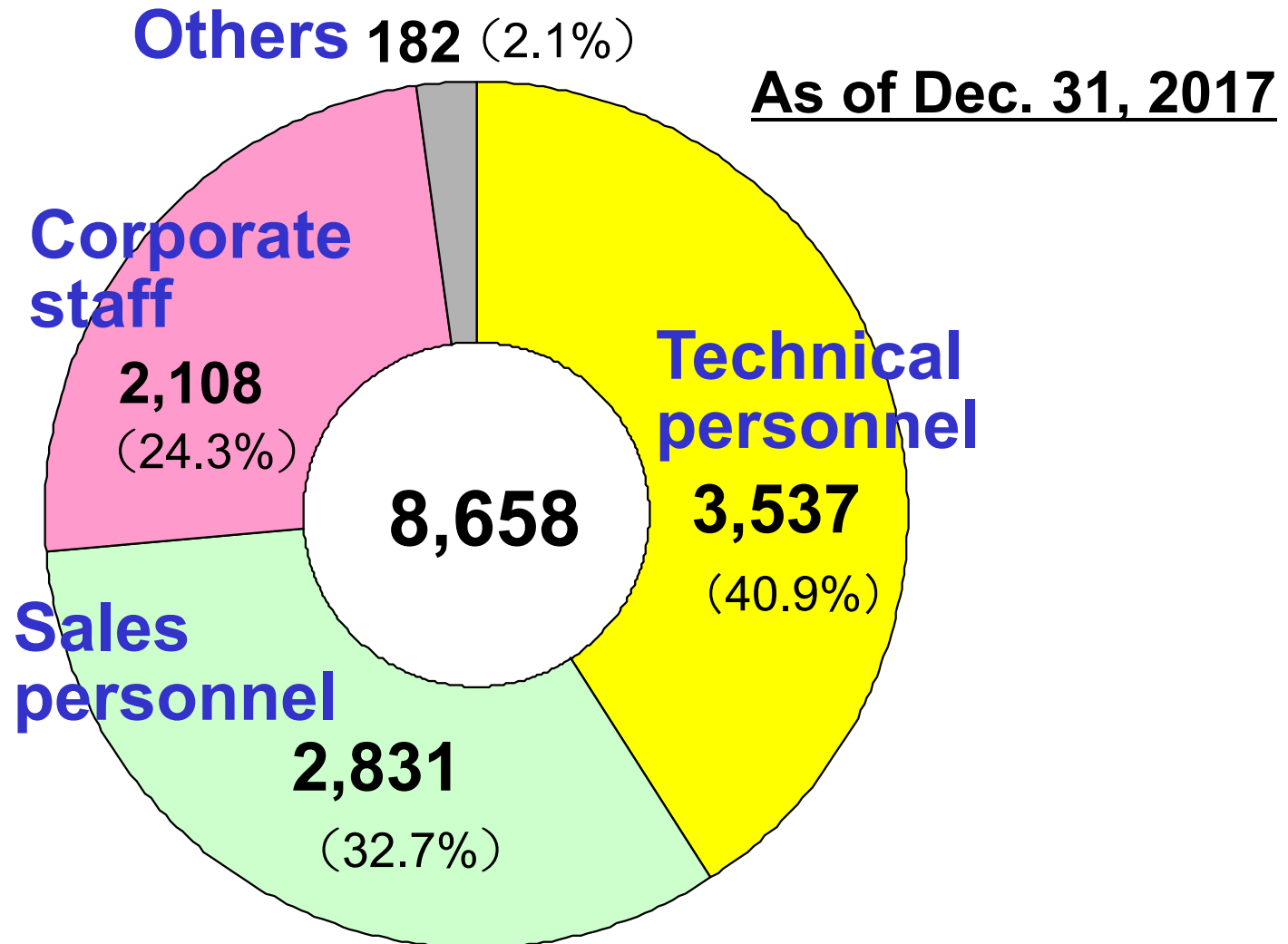
(Millions of yen)

\*Profit attributable to owners of parent



Consolidated

# Personnel organization (regular employees)





# Key strategic business

<Amount of Sales>

(Millions of yen)

	2015 Jan. – Dec.	2016 Jan. – Dec.		2017 Jan. – Dec.			2017 <b>Oct. – Dec.</b>		
	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”	139,106	146,046	+5.0%	<b>153,500</b>	<b>+7,453</b>	<b>+5.1%</b>	<b>40,001</b>	<b>+2,889</b>	<b>+7.8%</b>
<b>SMILE</b>	10,479	9,774	-6.7%	<b>10,817</b>	<b>+1,043</b>	<b>+10.7%</b>	<b>3,075</b>	<b>+326</b>	<b>+11.9%</b>
<b>ODS21</b>	46,196	51,746	+12.0%	<b>55,997</b>	<b>+4,251</b>	<b>+8.2%</b>	<b>14,059</b>	<b>+592</b>	<b>+4.4%</b>
<b>OSM</b>	59,831	67,937	+13.5%	<b>67,514</b>	<b>-423</b>	<b>-0.6%</b>	<b>17,283</b>	<b>+465</b>	<b>+2.8%</b>

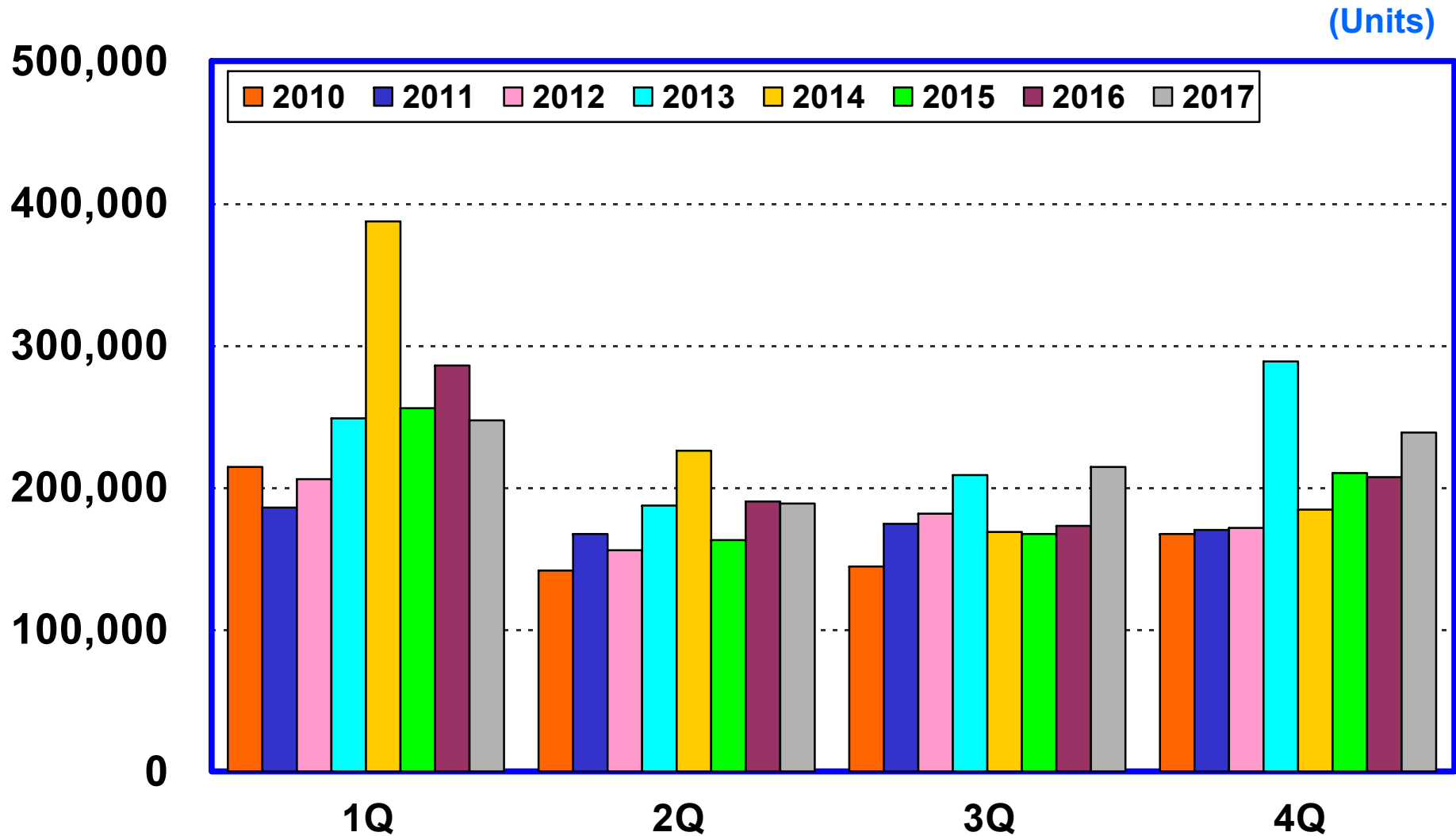
(ODS: Otsuka Document Solutions OSM: Otsuka Security Management)

<As reference: Number of Sales>

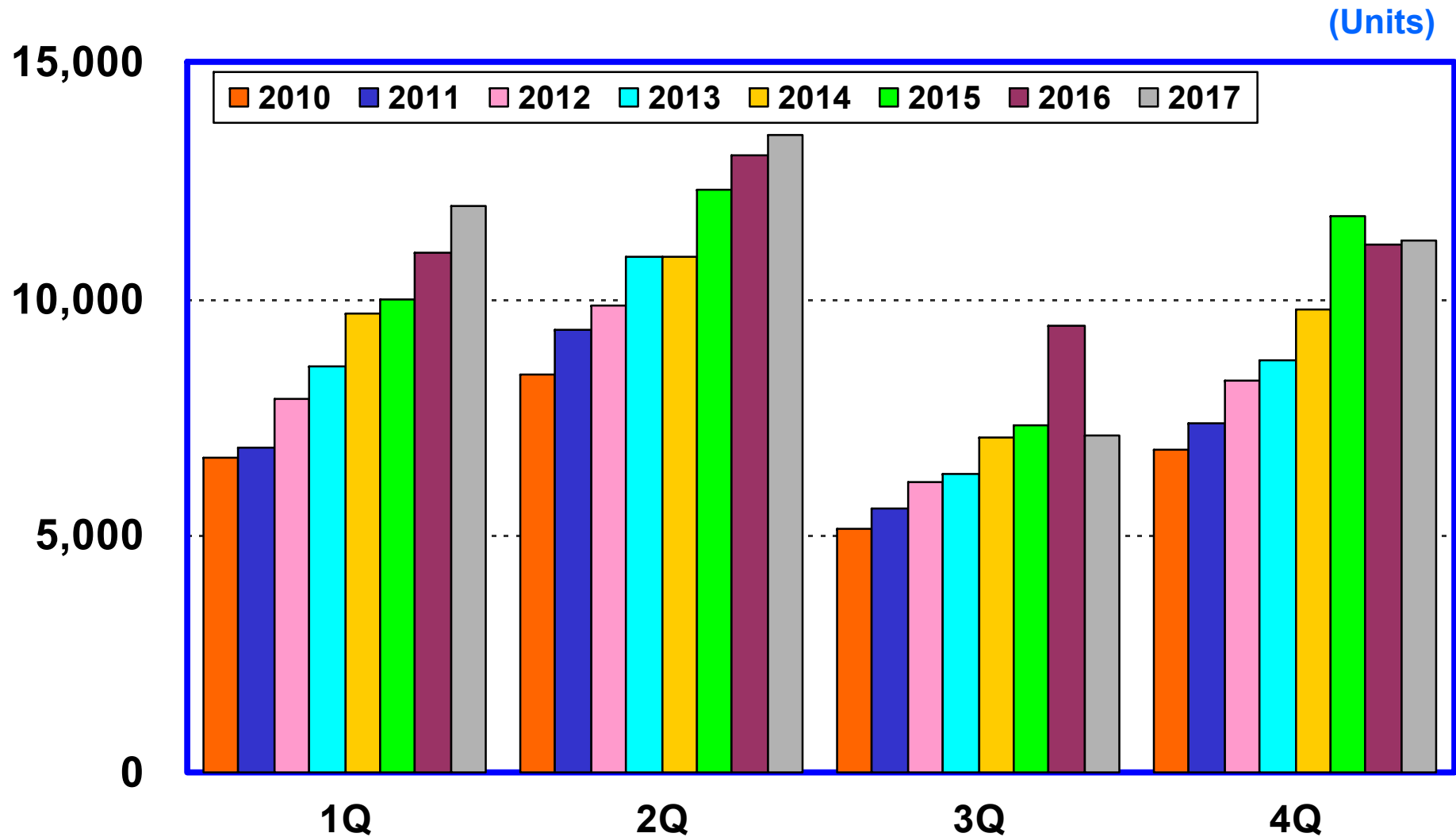
(Units)

<b>Copier</b>	41,384	44,583	+7.7%	<b>43,807</b>	<b>-776</b>	<b>-1.7%</b>	<b>11,245</b>	<b>+90</b>	<b>+0.8%</b>
(of which Color copier)	38,391	42,060	+9.6%	<b>41,942</b>	<b>-118</b>	<b>-0.3%</b>	<b>10,833</b>	<b>+130</b>	<b>+1.2%</b>
<b>Server</b>	37,718	32,917	-12.7%	<b>31,232</b>	<b>-1,685</b>	<b>-5.1%</b>	<b>6,899</b>	<b>-537</b>	<b>-7.2%</b>
<b>PC</b>	795,646	854,876	+7.4%	<b>887,640</b>	<b>+32,764</b>	<b>+3.8%</b>	<b>238,584</b>	<b>+31,671</b>	<b>+15.3%</b>
<b>Client Total</b>	847,320	904,393	+6.7%	<b>927,835</b>	<b>+23,442</b>	<b>+2.6%</b>	<b>250,480</b>	<b>+38,532</b>	<b>+18.2%</b>

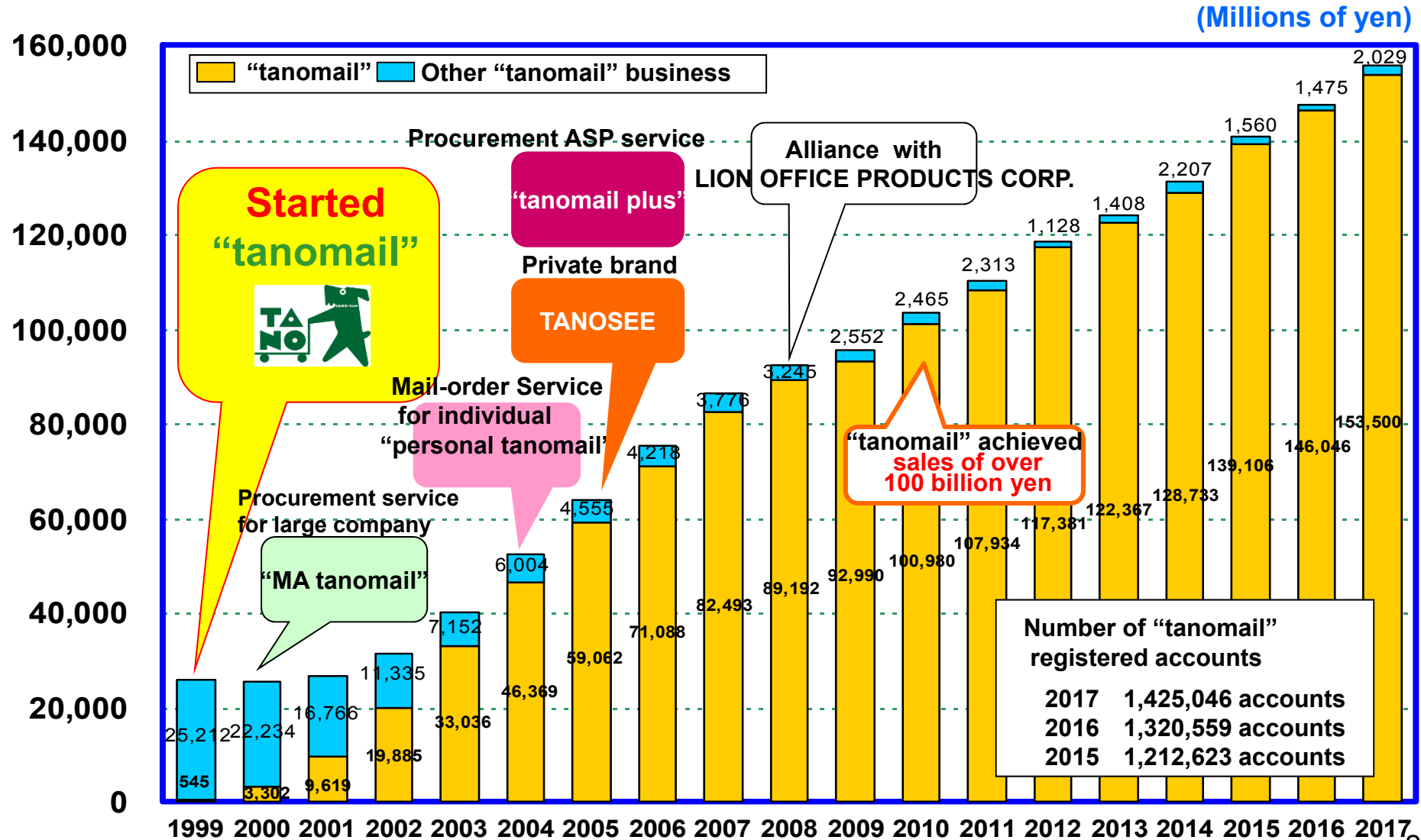
# Quarterly Number of PCs Sold



# Quarterly Number of Copiers Sold

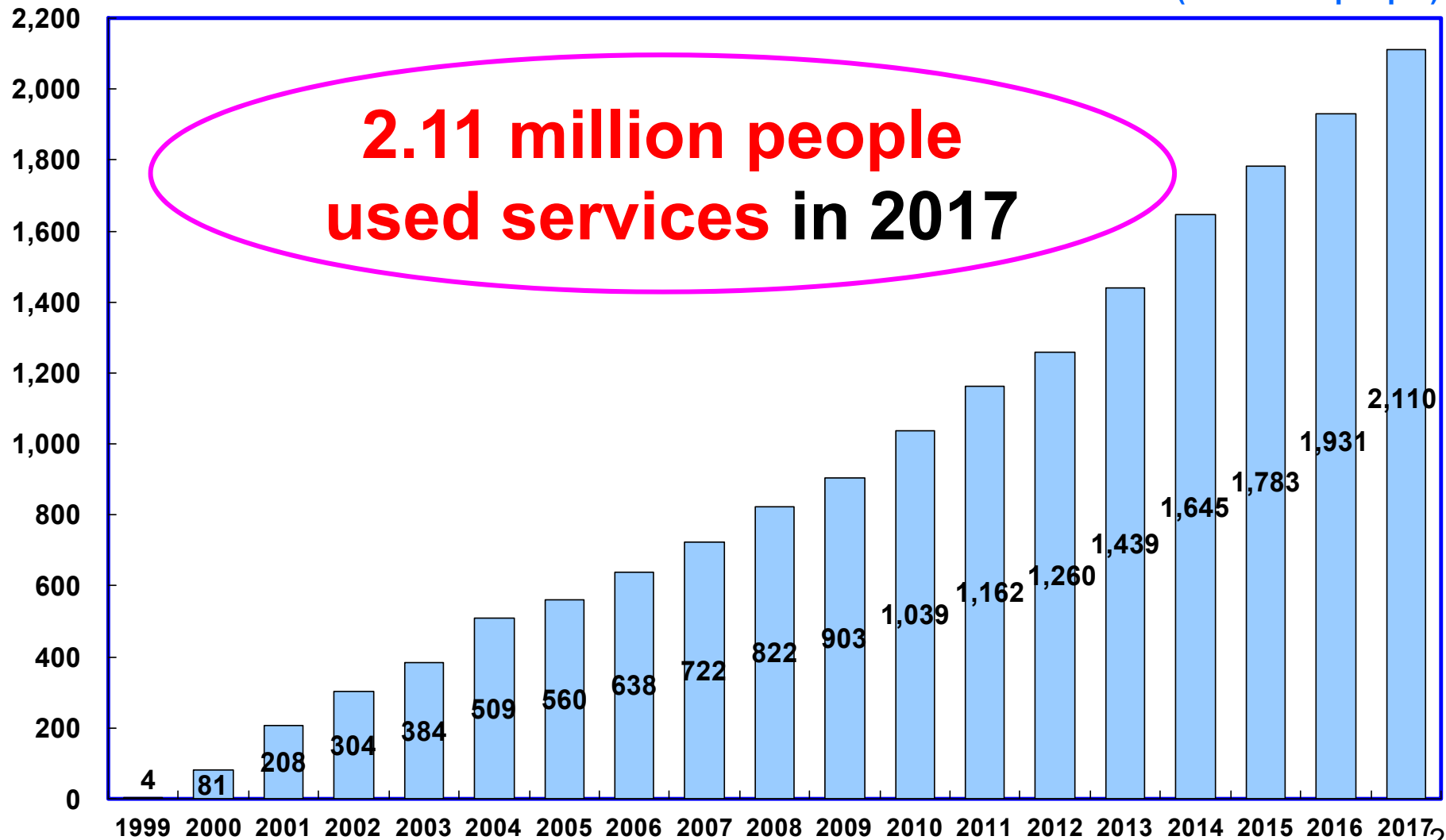


# Annual sales transition of "tanomail"



# Number of Users of Main Web Services (ASP)

(Thousand people)



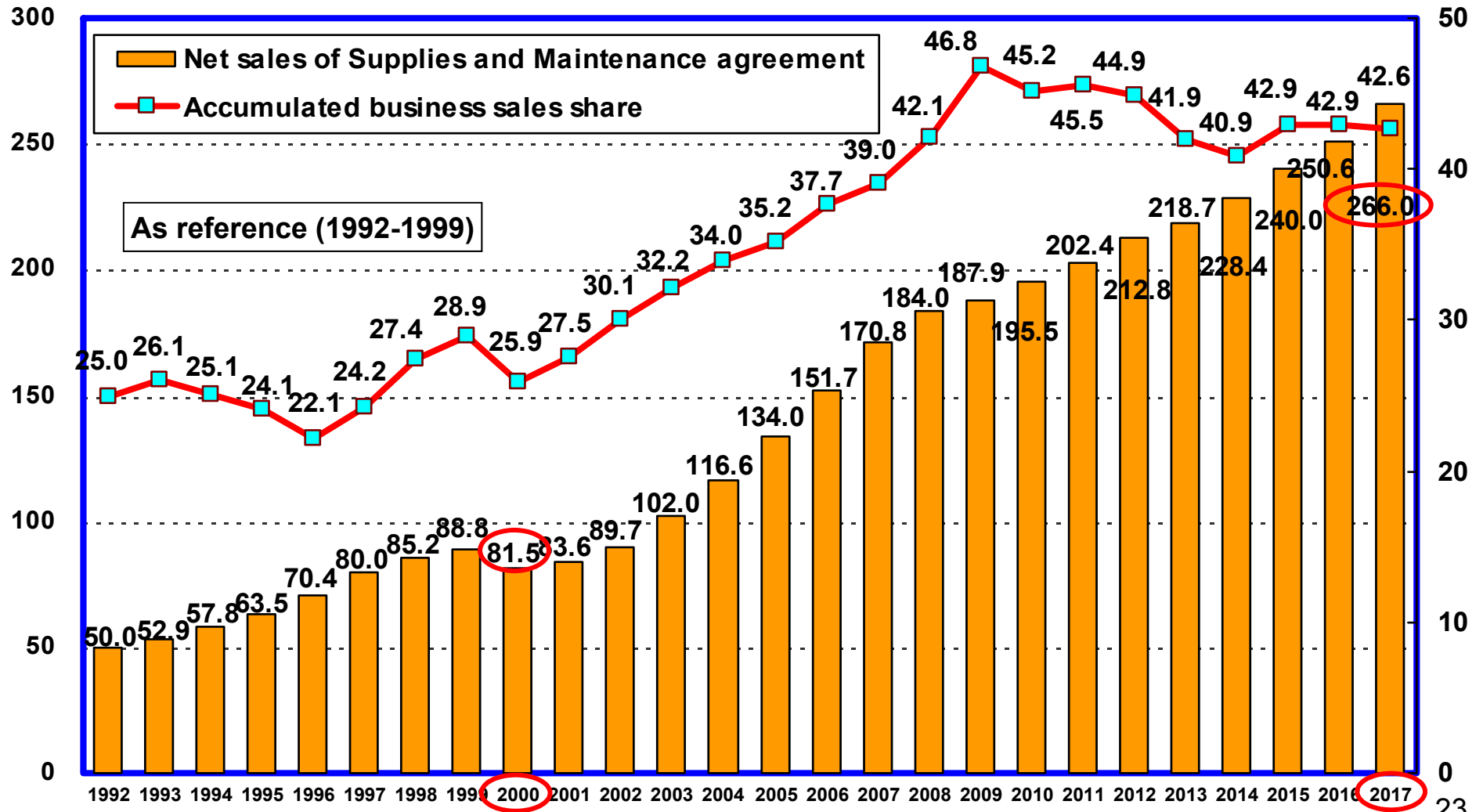
# Growth of accumulated business

## 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 2018

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- **Continued moderate growth in Japan and overseas**
- **Demand for aggressive IT investment, raising productivity and cost reductions**
- **Demand for responding to labor shortages and for labor-savings**
- **Rising interest in new IT such as AI and IoT**
- **Further progression of work style reform**
- **Strong demand by companies for IT utilization and energy-saving**

# Policies and Measures in 2018

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**“Leverage solutions 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**
- **Promote and support work style reform**
- **Strengthen initiatives such as for AI and IoT**
- **Strengthening of proposal of network solutions**

# 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) of the Otsuka Chamber of Commerce. The page features a navigation menu with categories like 'Solution & Products', 'Customer My Page', 'Wholesale', and 'Company Information'. The main content area includes a welcome message, a banner image of a customer service representative, and a navigation bar with links for 'Login', 'New Registration', and 'My Page Guide'. A prominent red banner at the bottom states 'Otsuka Chamber of Commerce is No.1 in Call Center Satisfaction'.

### AI

Usage begun 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 in 2011
- Same environment as office even when outside the office

▼ Further implementation (from July 2017)

- 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



An abundant support selection

### Telework



### Curtail overtime



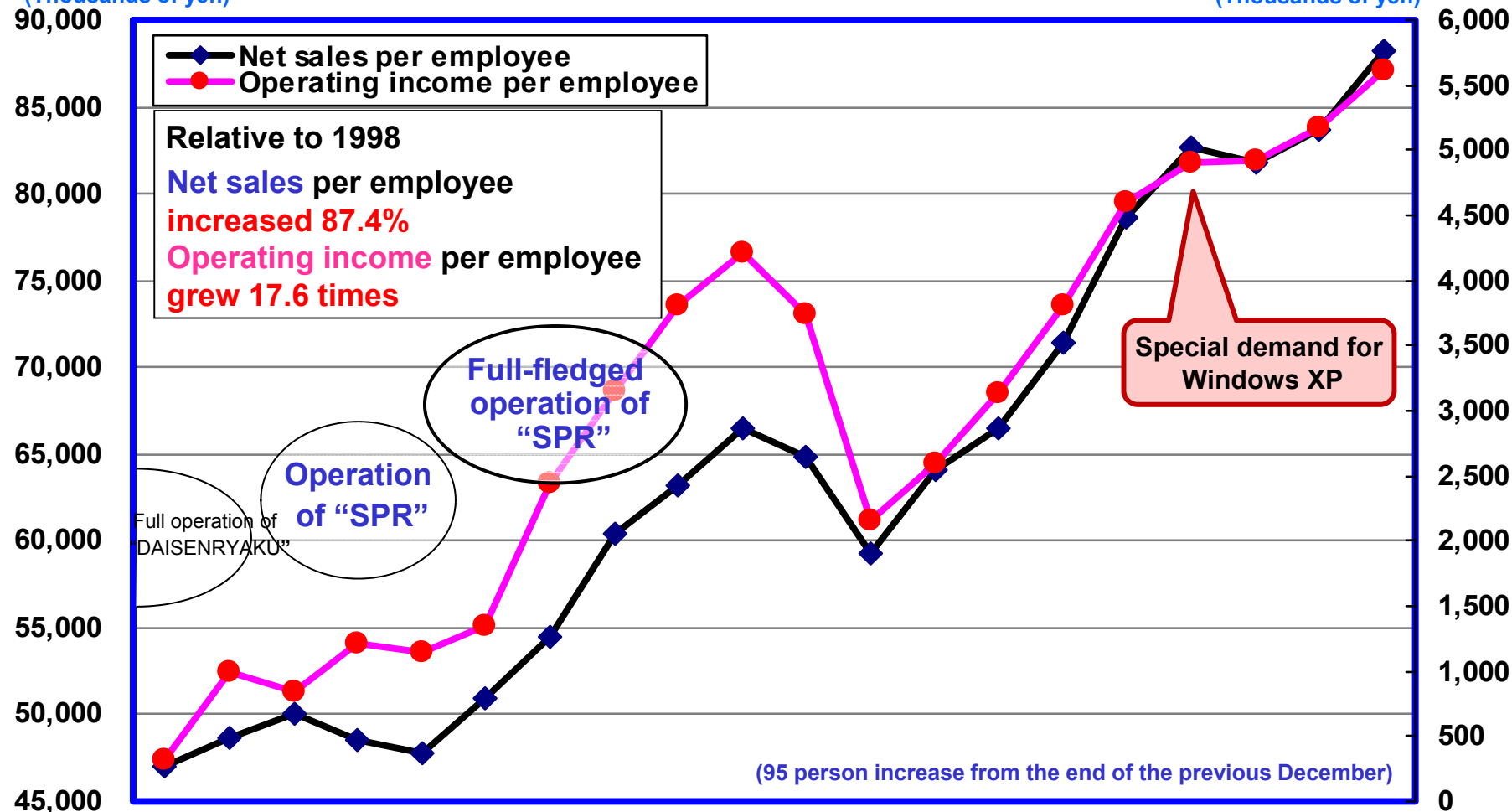
LED& Plugwise

Non-Consolidated

# Change of Net sales per employee and Operating income per employee

Net sales per employee  
(Thousands of yen)

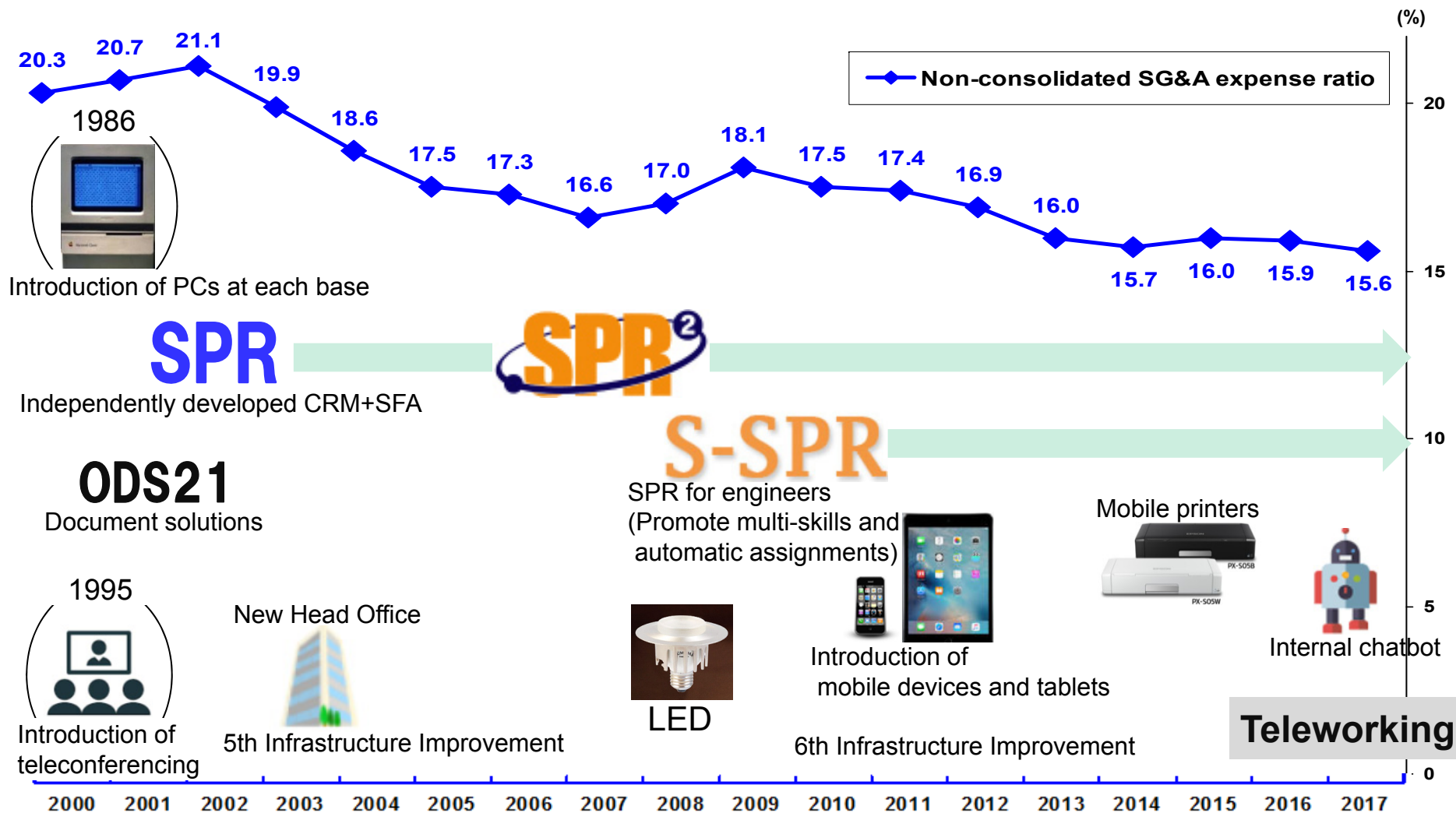
Operating income per employee  
(Thousands of yen)



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of employees	6,621	6,316	6,272	6,251	6,236	6,222	6,294	6,297	6,379	6,585	6,736	6,778	6,760	6,684	6,638	6,634	6,758	6,837	6,985	7,080
Number of days off	118	118	118	120	122	123	125	126	126	126	129	129	127	127	124	128	128	127	128	127

Non-Consolidated

# Productivity Improvements through Further Application of IT





# Results from the Introduction of IT

Item	Unit (“DAISENRYAKU” OTSUKA Strategy implementation)	FY1998	All-time highs	FY2017	Change	Percent change
Net sales	Billions of yen	311.7	624.6		+312.9	+100.4%
Number of employees	Persons	6,621	7,080		+459	+6.9%
Days off	Days	118	129	127	+ 10 (From +9 to +11)	+8.5%



**Net sales**

**Twofold increase**

**Number of employees**

**Slight increase**

**Number of days off**

**Half-month increase**



# OTSUKA's Social Role

**Planted trees in Macapá, which is situated right on the equator and is located 2,650 kilometers to the north of São Paulo in Brazil.**

- Planted **170,000** Tasmanian blue gum trees encompassing a **150-hectare land area** (equivalent to 32 times the area of Tokyo Dome).
- **Scheduled to expand area to 500 hectares by 2017 (roughly equivalent to half the area of Chuo Ward in Tokyo). Began felling trees in first planation area.**



Ceremony for tree felling



Cut end of a Tasmanian blue gum tree



Tree felling operations

## “Happy Point” donation program

Donated to Japan Committee for UNICEF, Japanese Red Cross Society, and Guide Dog & Service Dog & Hearing Dog Association of Japan.



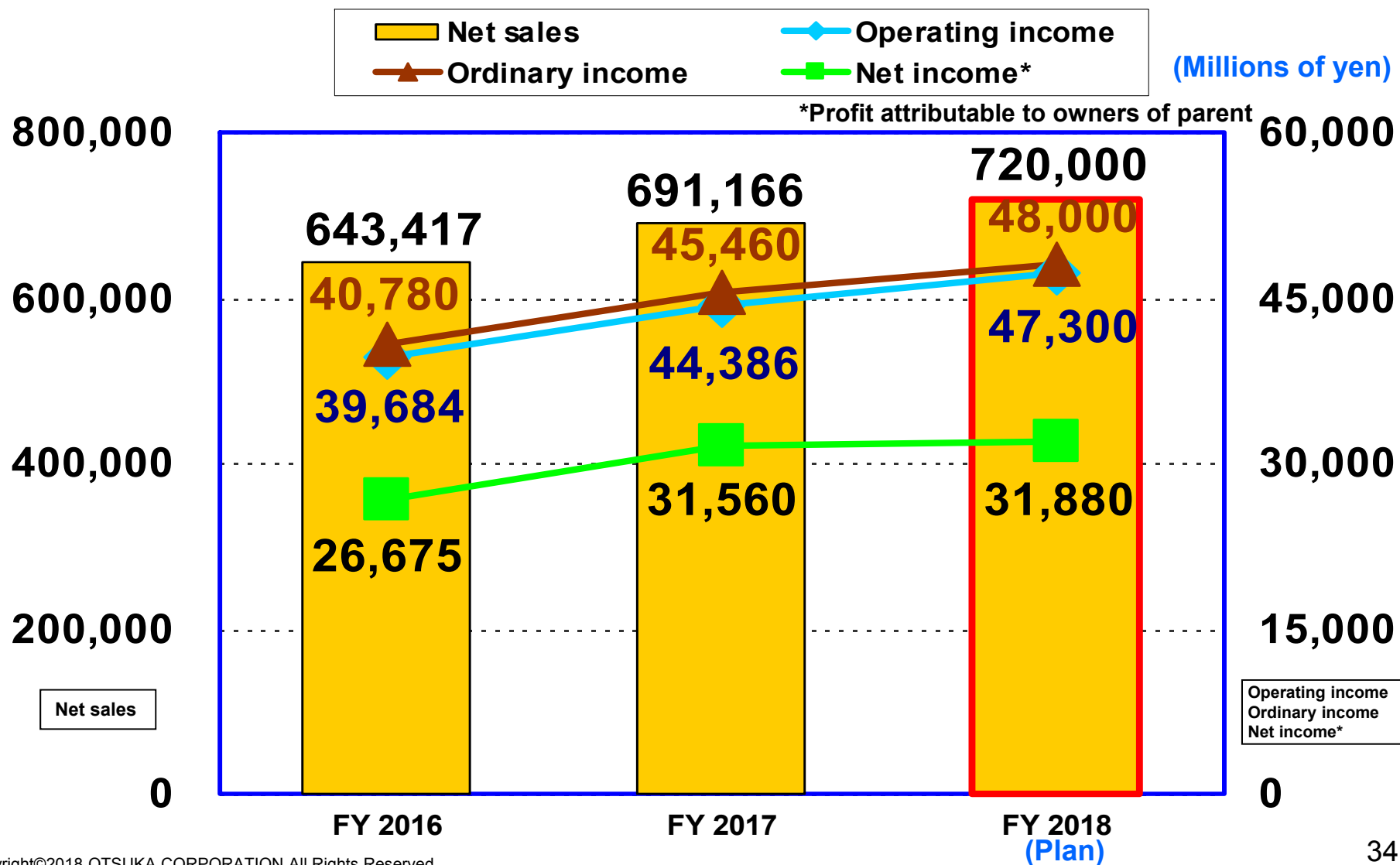
## Food bank donations

Donated in-stock food items close to their best-before dates.



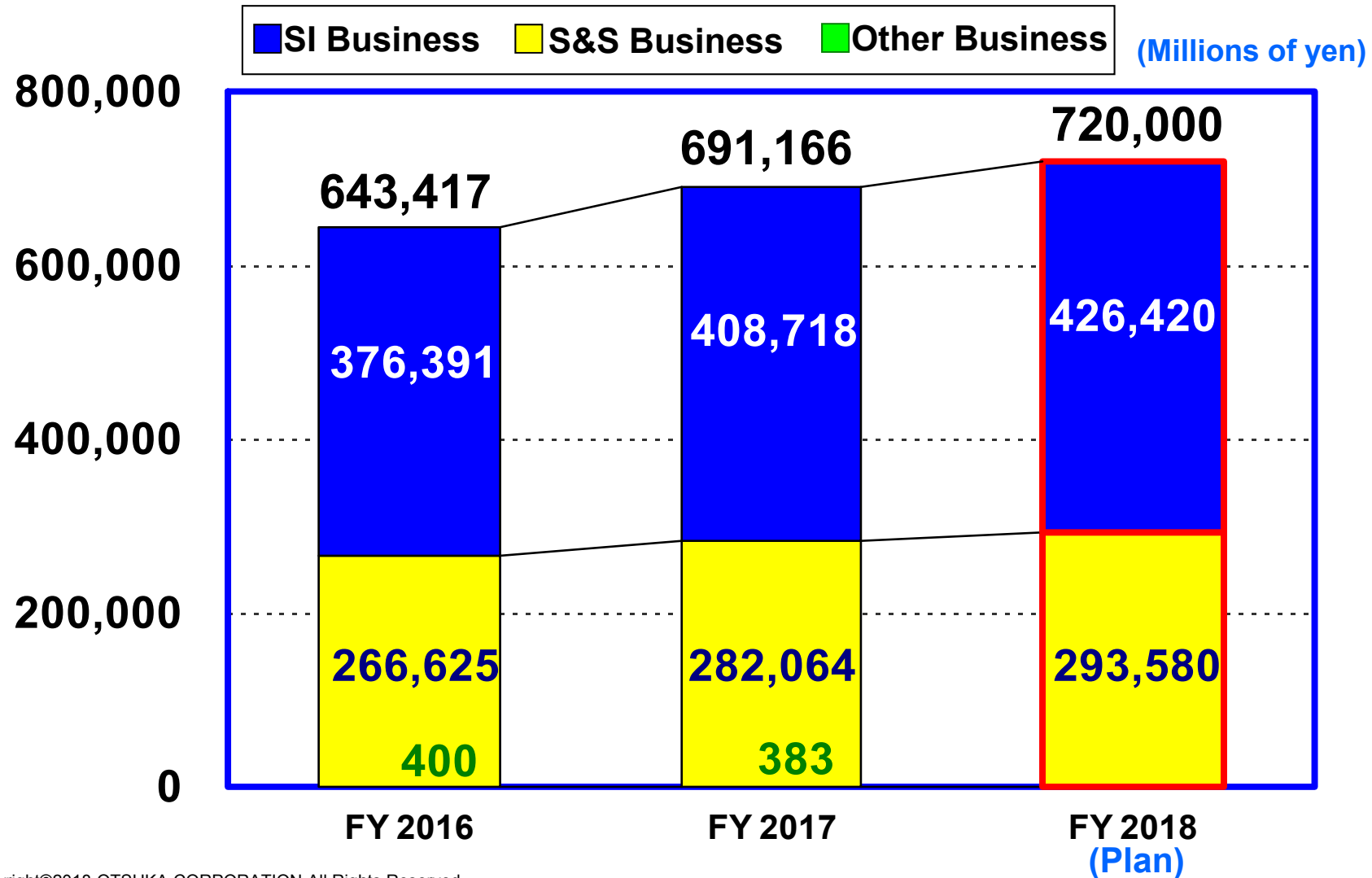
Consolidated

# Plans of Net sales and profit



Consolidated

# Plans of Net sales by segments



# Jissen (Practical) Solution Fair 2018



# Otsuka Corporation

## Changes in Fiscal Year Slogans

- 2001 Respond to trust**
- 2002 Leverage comprehensive strengths from a customer viewpoint**
- 2003 Act from a customer viewpoint and respond to their trust**
- 2004 Leverage comprehensive strengths from a customer viewpoint and respond to their trust**
- 2005 Growing alongside customers and respond to the trust**
- 2006 Respond to customers' trust from their viewpoint**
- 2007 Respond to customers' trust from their viewpoint and grow with customers**
- 2008 Respond to customers' trust from their viewpoint and make a leap forward together with customers**
- 2009 Vitalize office via IT and live up to customers' trust**
- 2010 Live up to customers' trust via IT and Vitalize office**
- 2011 Live up to customers' trust and vitalize office via IT**
- 2012 Live up to customers' trust from a customer viewpoint and vitalize office**
- 2013 Live up to customers' trust from a customer viewpoint and vitalize office with IT**
- 2014 Live up to customer trust from a customer viewpoint and vitalize office with comprehensive strengths**
- 2015 Live up to customer trust from a customer viewpoint and vitalize office with solutions**
- 2016 Vitalize office with solutions and live up to customer trust**
- 2017 Solve customer troubles on all fronts and live up to customer trust**
- 2018 Leverage solutions on all fronts and live up to customer trust**





# Cautionary statement

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