



# **Business Results**

**for the fiscal year ended December 31, 2018**

**February 1, 2019**

**OTSUKA CORPORATION**

**Yuji Otsuka, President**

# Summary of Business Results, January – December, 2018

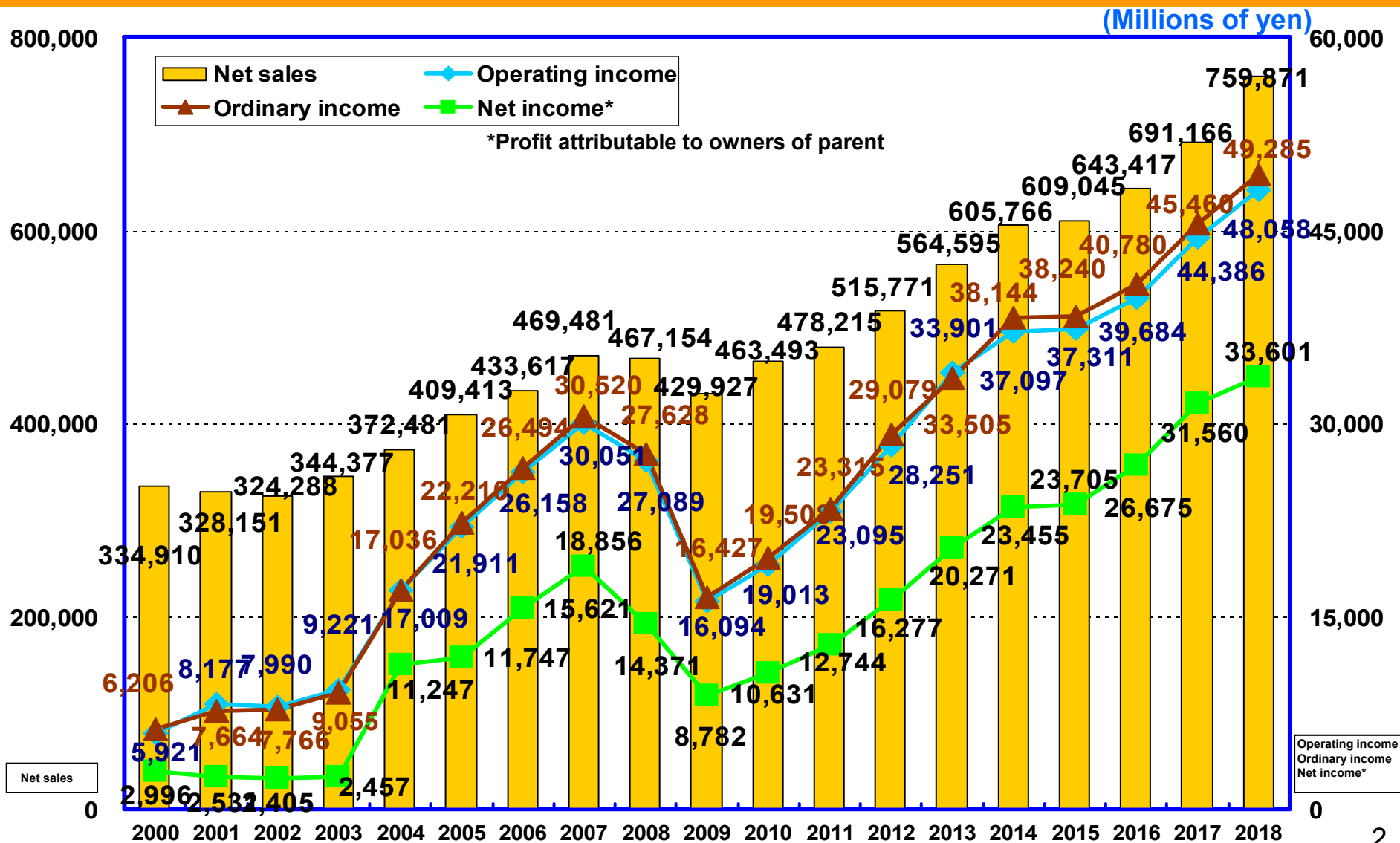
(Millions of yen)

	Consolidated			Non-Consolidated		
	Amount	Ratio to Plan	Change to Last Year	Amount	Ratio to Plan	Change to Last Year
<b>Net sales</b>	<b>759,871</b>	<b>105.5%</b>	<b>+9.9%</b>	<b>684,912</b>	<b>105.0%</b>	<b>+9.6%</b>
<b>Operating income</b>	<b>48,058</b>	<b>101.6%</b>	<b>+8.3%</b>	<b>42,535</b>	<b>100.3%</b>	<b>+6.9%</b>
<b>Ordinary income</b>	<b>49,285</b>	<b>102.7%</b>	<b>+8.4%</b>	<b>44,254</b>	<b>100.8%</b>	<b>+7.5%</b>
<b>Net income*</b>	<b>33,601</b>	<b>105.4%</b>	<b>+6.5%</b>	<b>30,686</b>	<b>103.0%</b>	<b>+6.2%</b>

\*Profit attributable to owners of parent

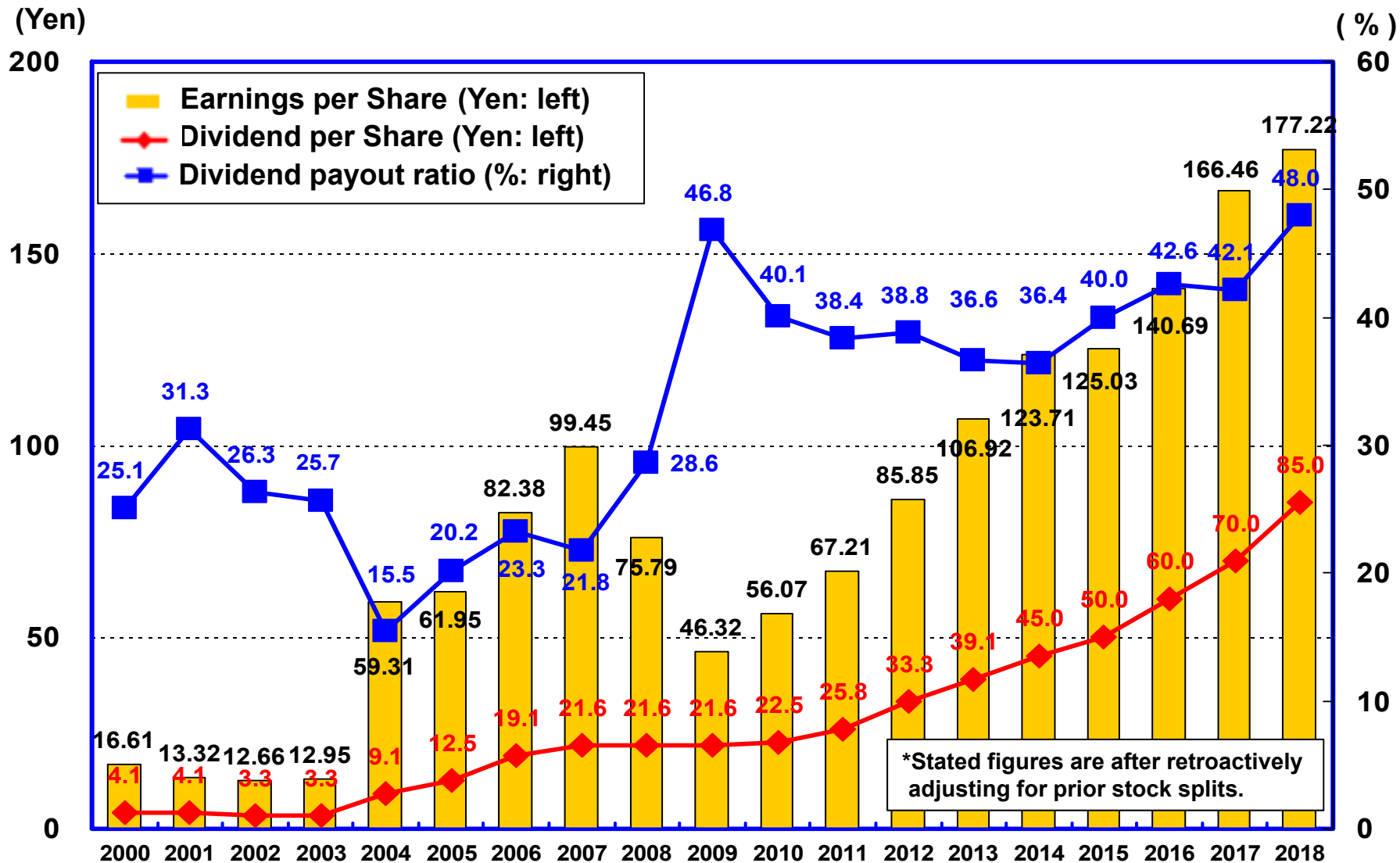
Consolidated

# Performance Results



Consolidated

# Dividends since Public Listing

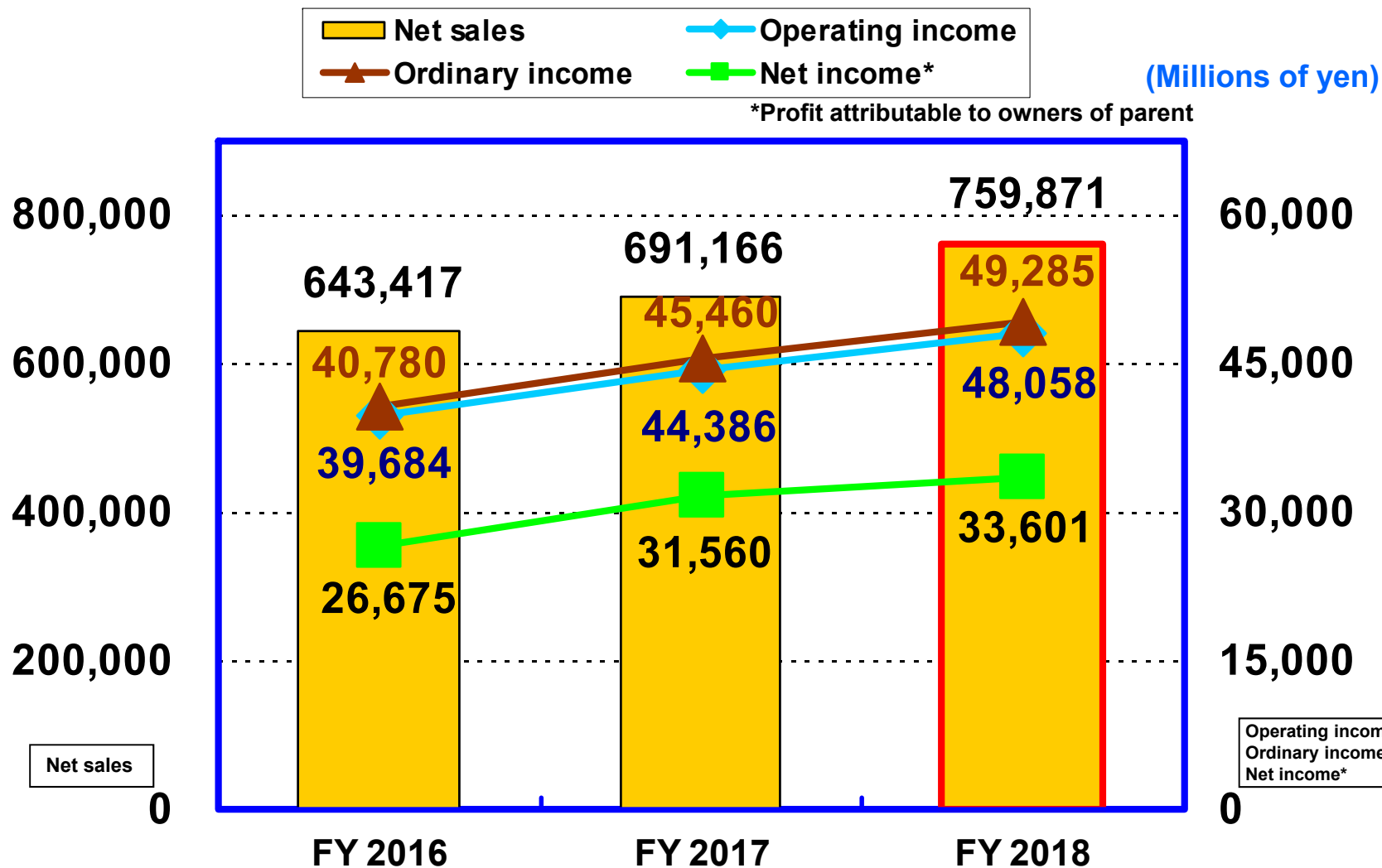


# Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	FY 2018 Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	430	9,444
	Net World Corporation	Sales and technology support for network-related equipment	410	104,577
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	323	4,759
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	424	8,489

Consolidated

# Net sales and Profits

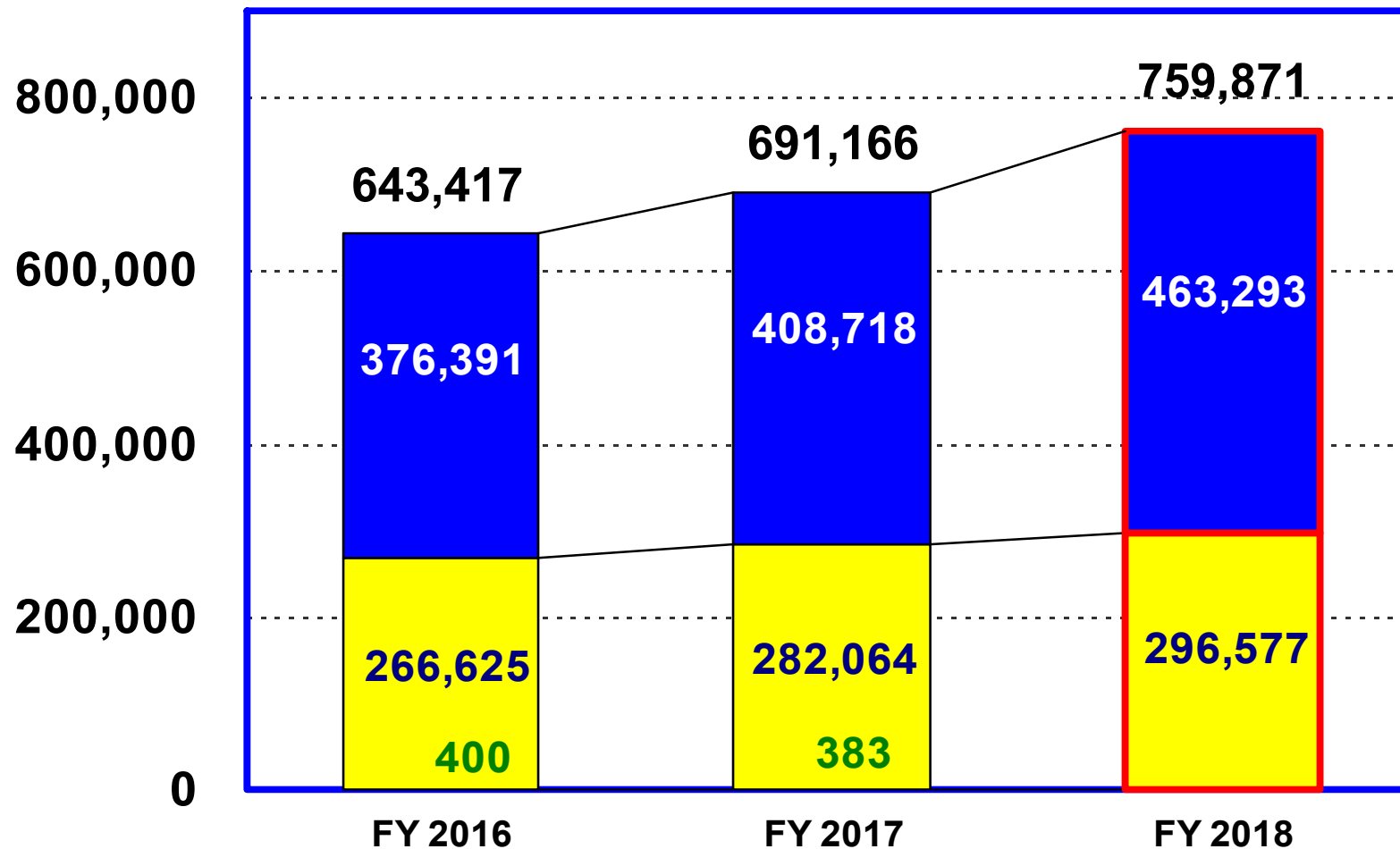


Consolidated

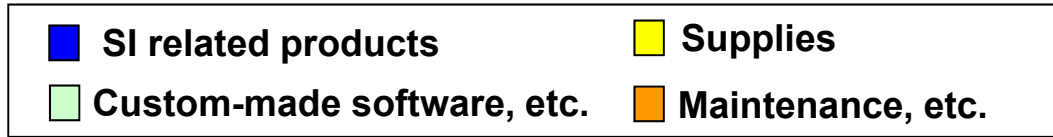
# Net sales by segments

■ SI business   ■ S&S business   ■ Other business

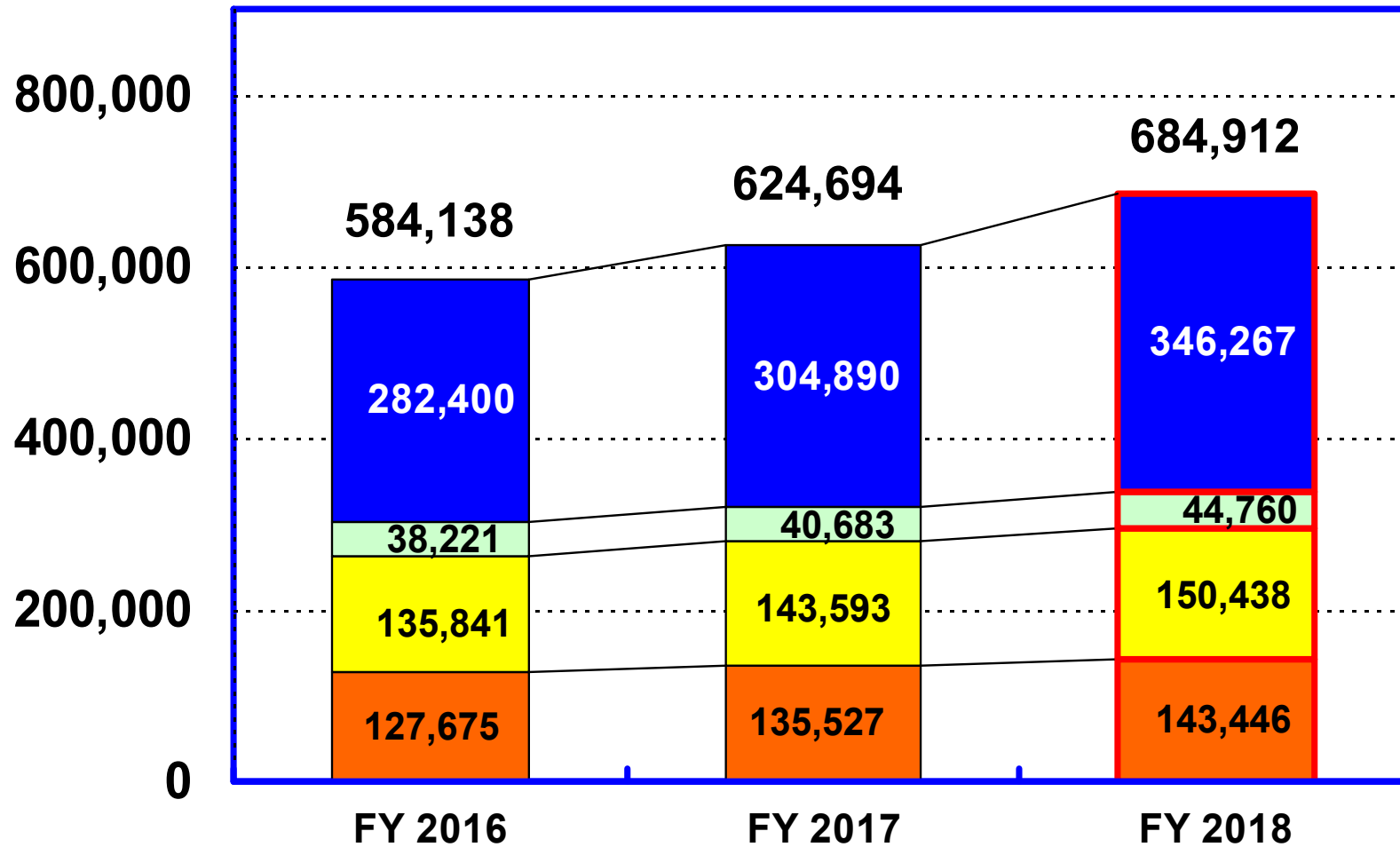
(Millions of yen)



# Net sales by 4 segments



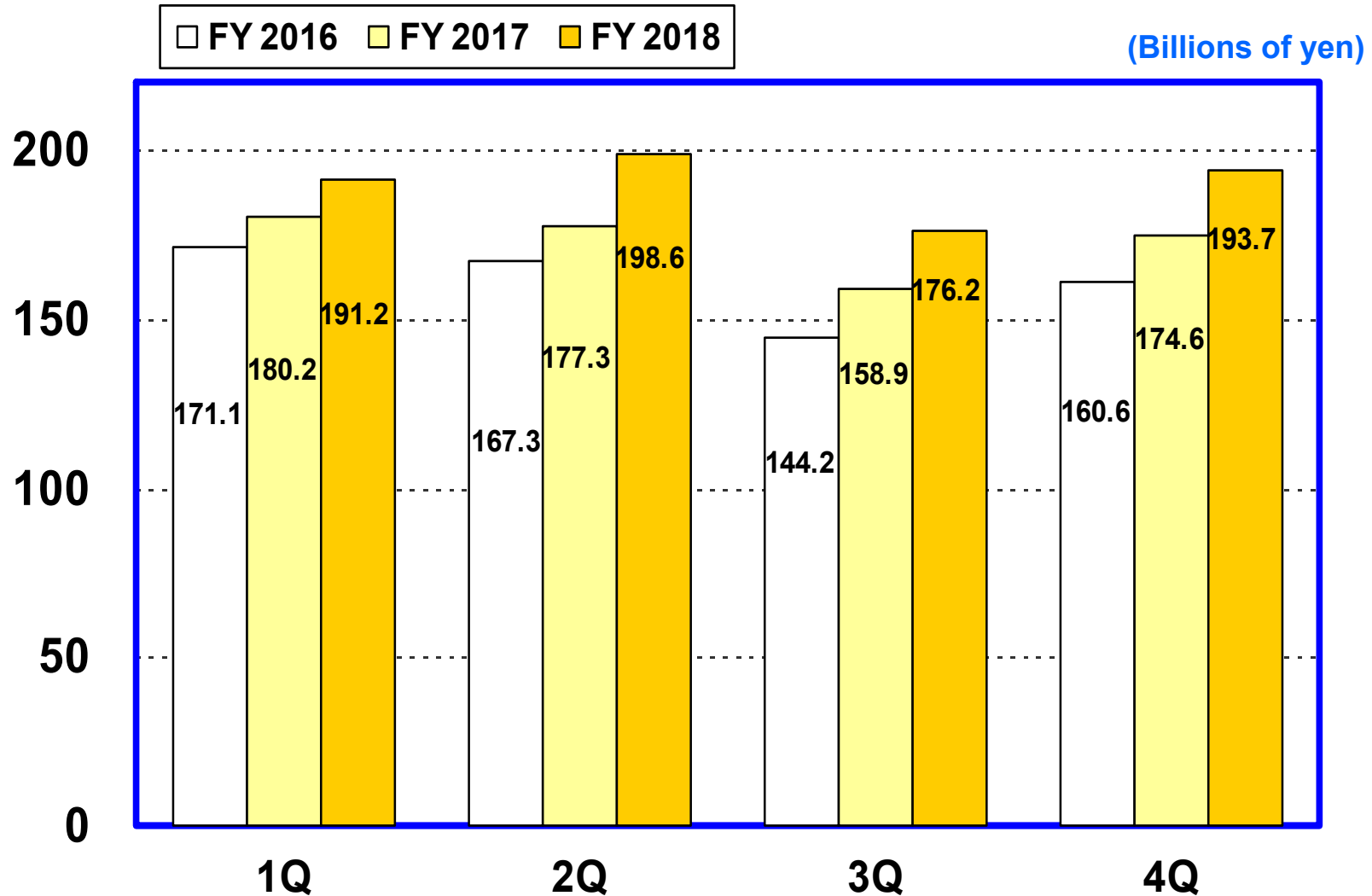
(Millions of yen)





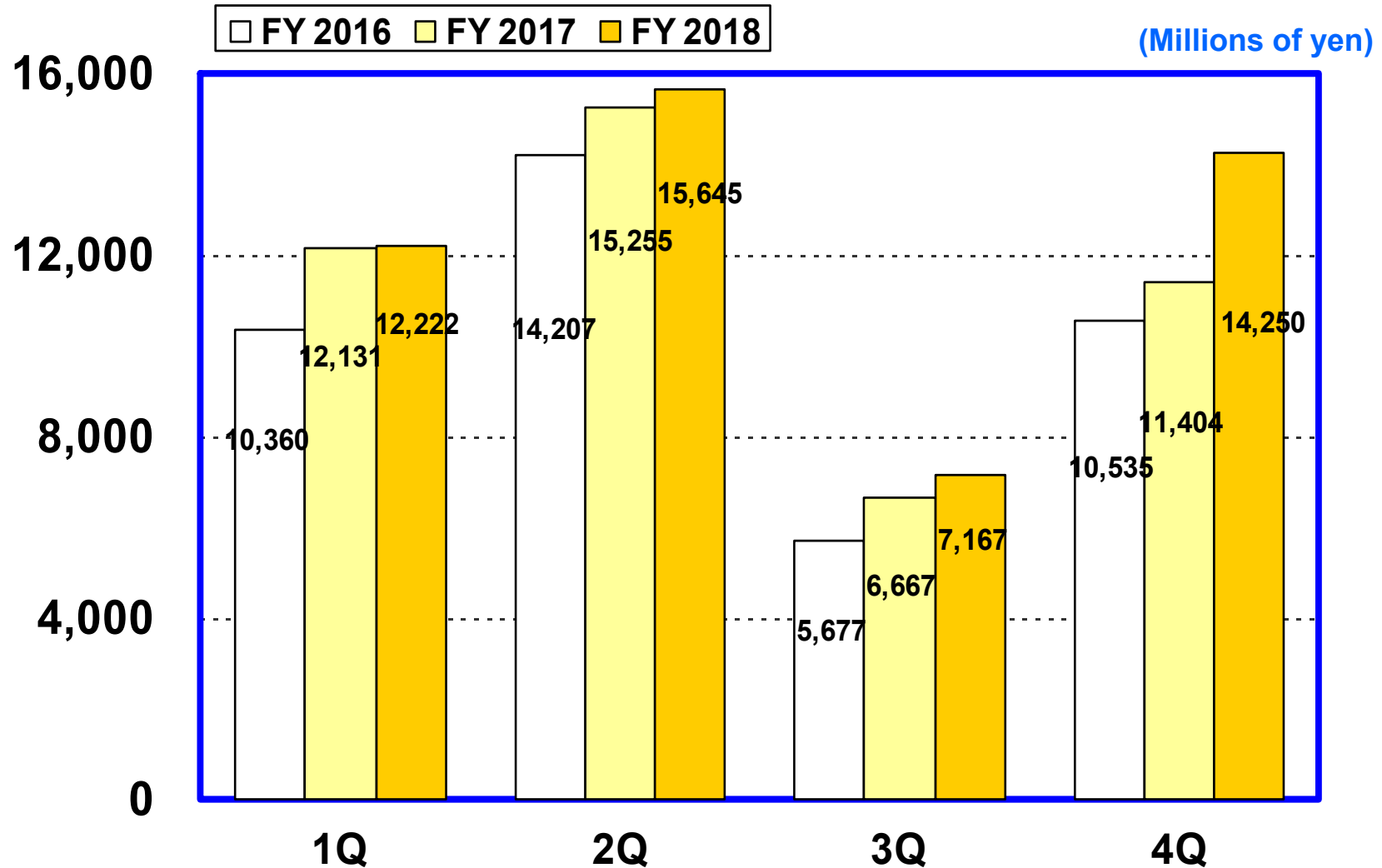
Consolidated

# Quarterly change of Net sales



Consolidated

# Quarterly change of Ordinary income



# Summary of Business Results, October – December, 2018

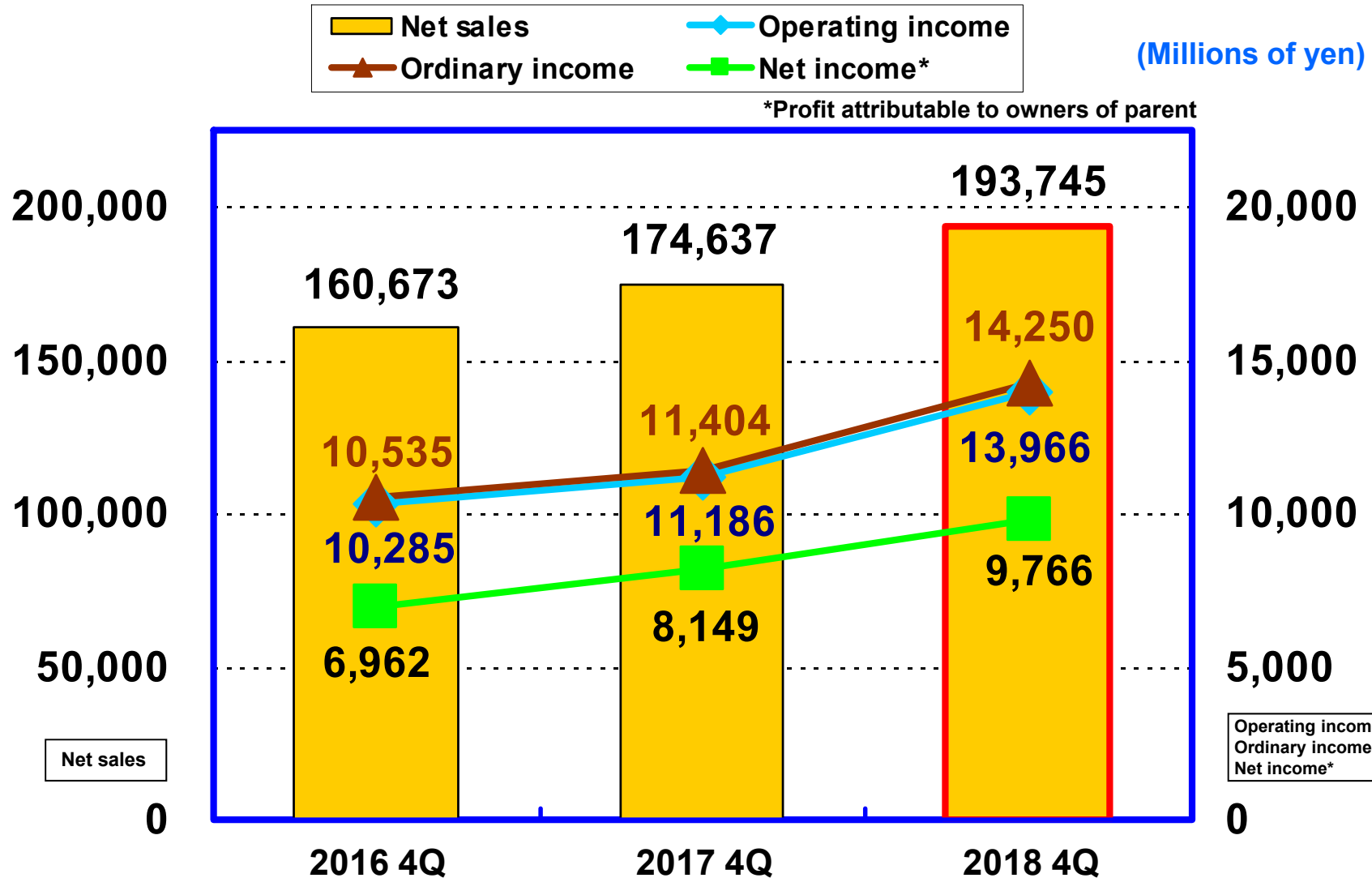
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	193,745	+10.9%	174,324	+11.2%
Operating income	13,966	+24.9%	12,550	+27.7%
Ordinary income	14,250	+24.9%	12,758	+27.8%
Net income*	9,766	+19.8%	8,781	+22.5%

\*Profit attributable to owners of parent

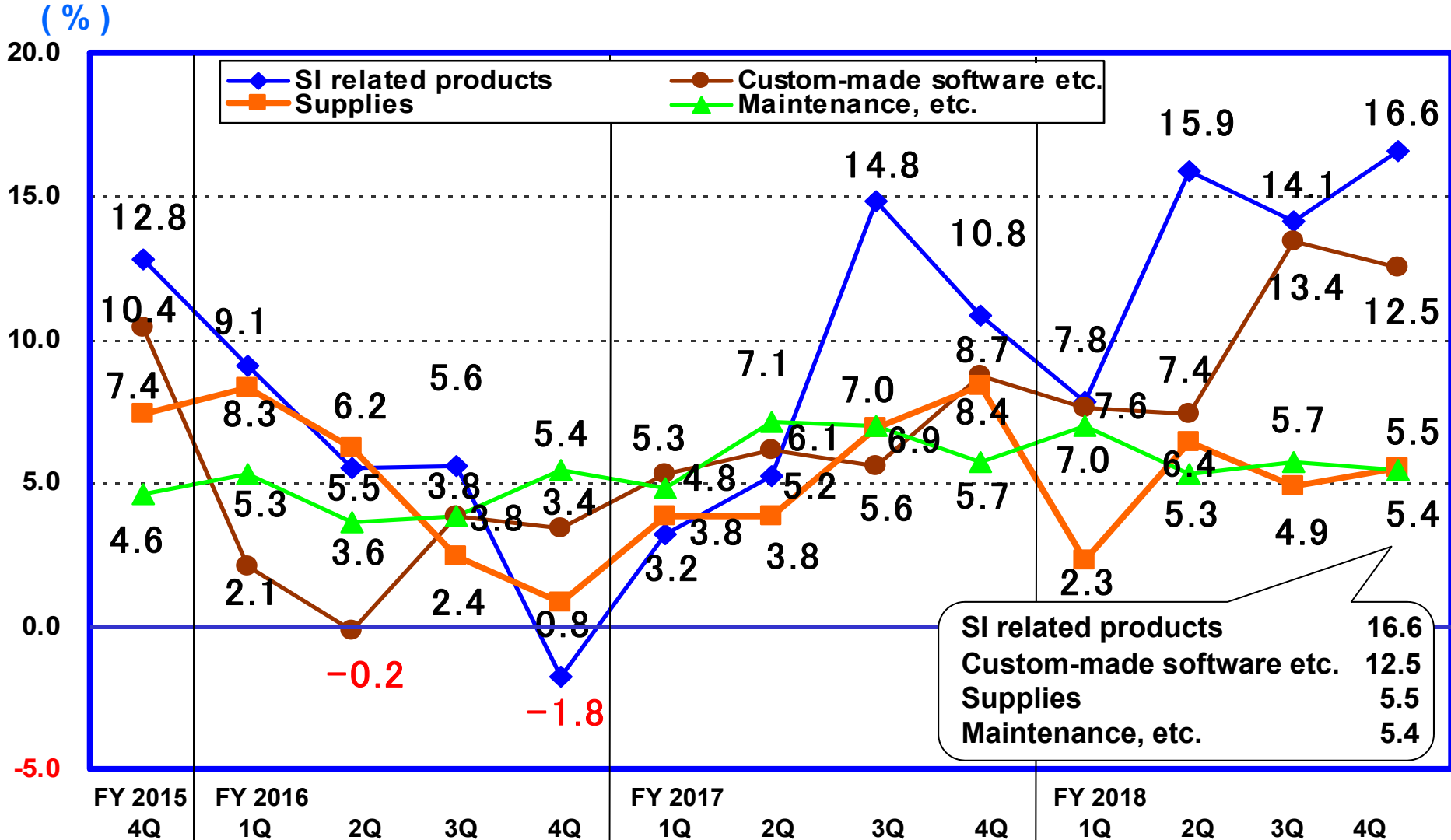
Consolidated

# Net sales and Profits, October – December



Non-Consolidated

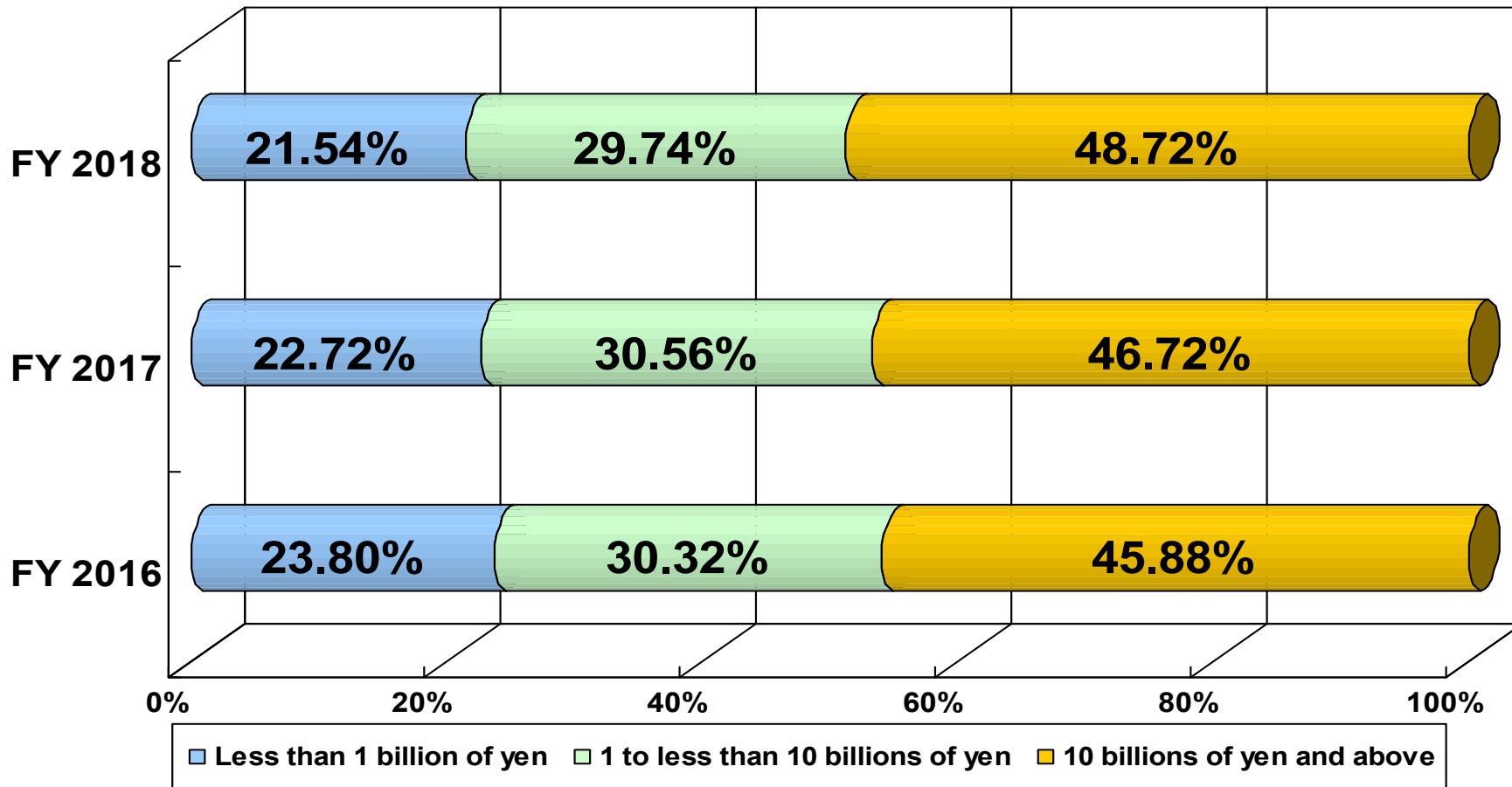
# Quarterly Net Sales by 4 segments ( % change year-on-year )



SI related products	16.6
Custom-made software etc.	12.5
Supplies	5.5
Maintenance, etc.	5.4

Non-Consolidated

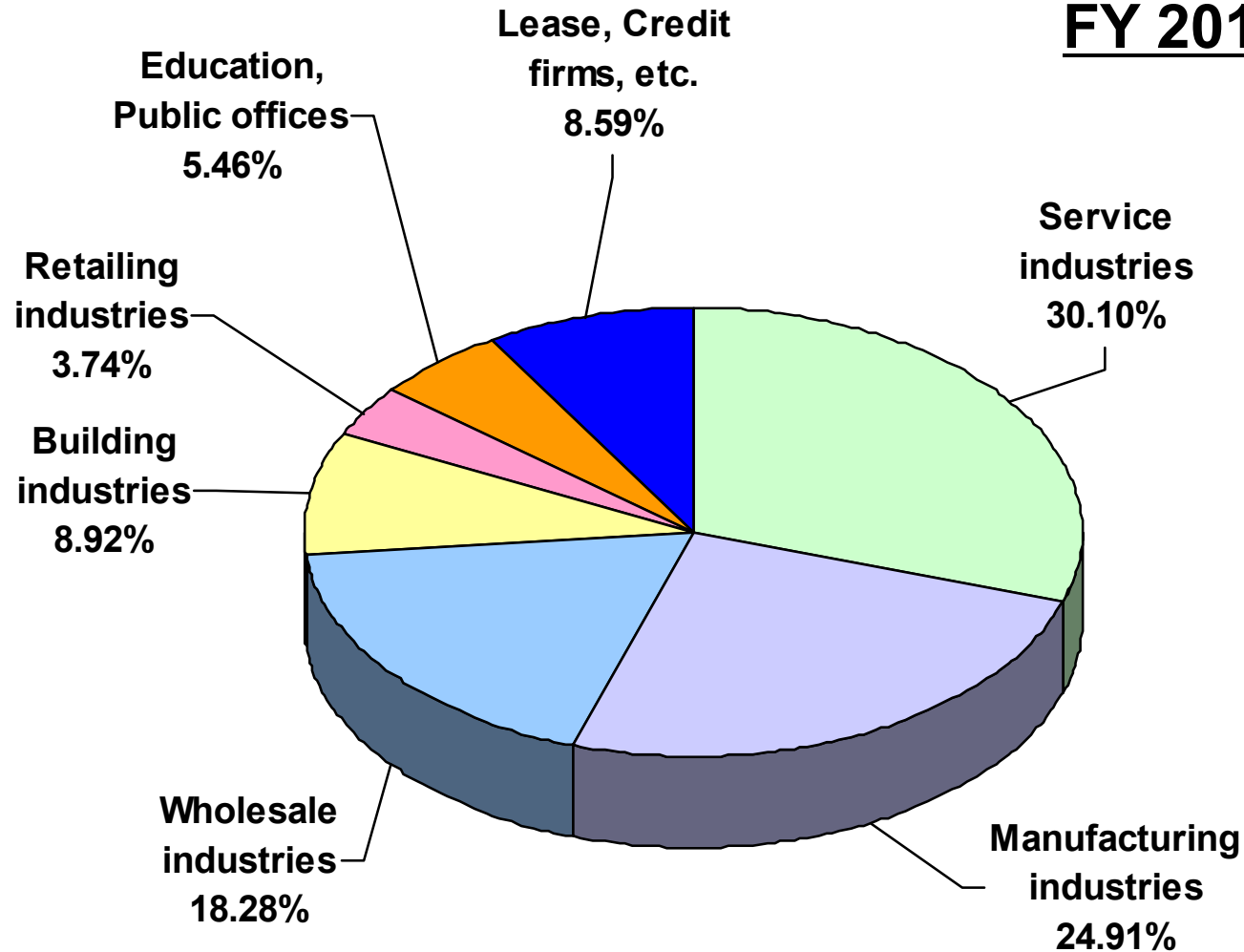
# Net sales structure on customers' total annual business scale



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

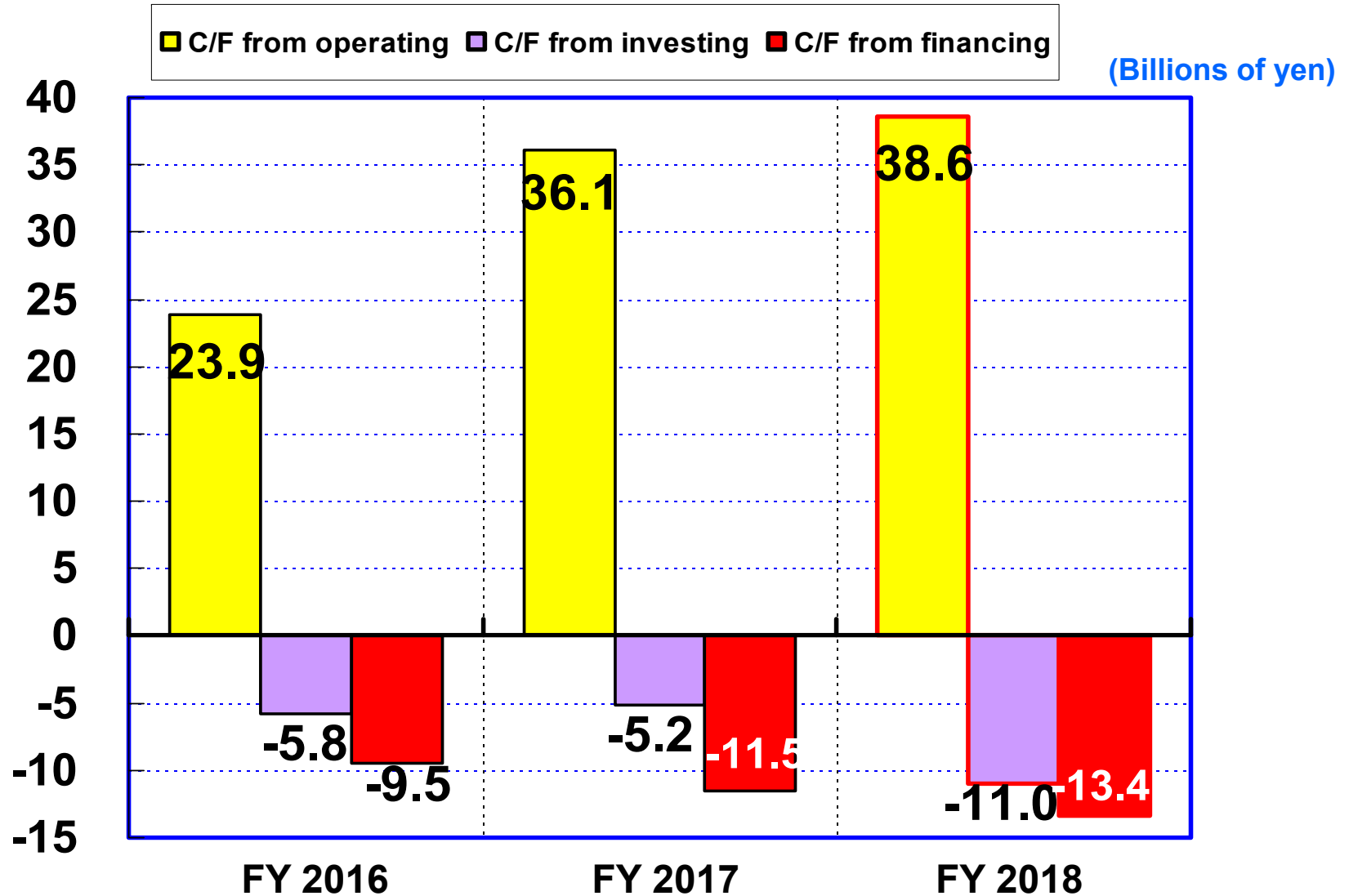
# Sales breakdown by customers' type of industry

**FY 2018**



Consolidated

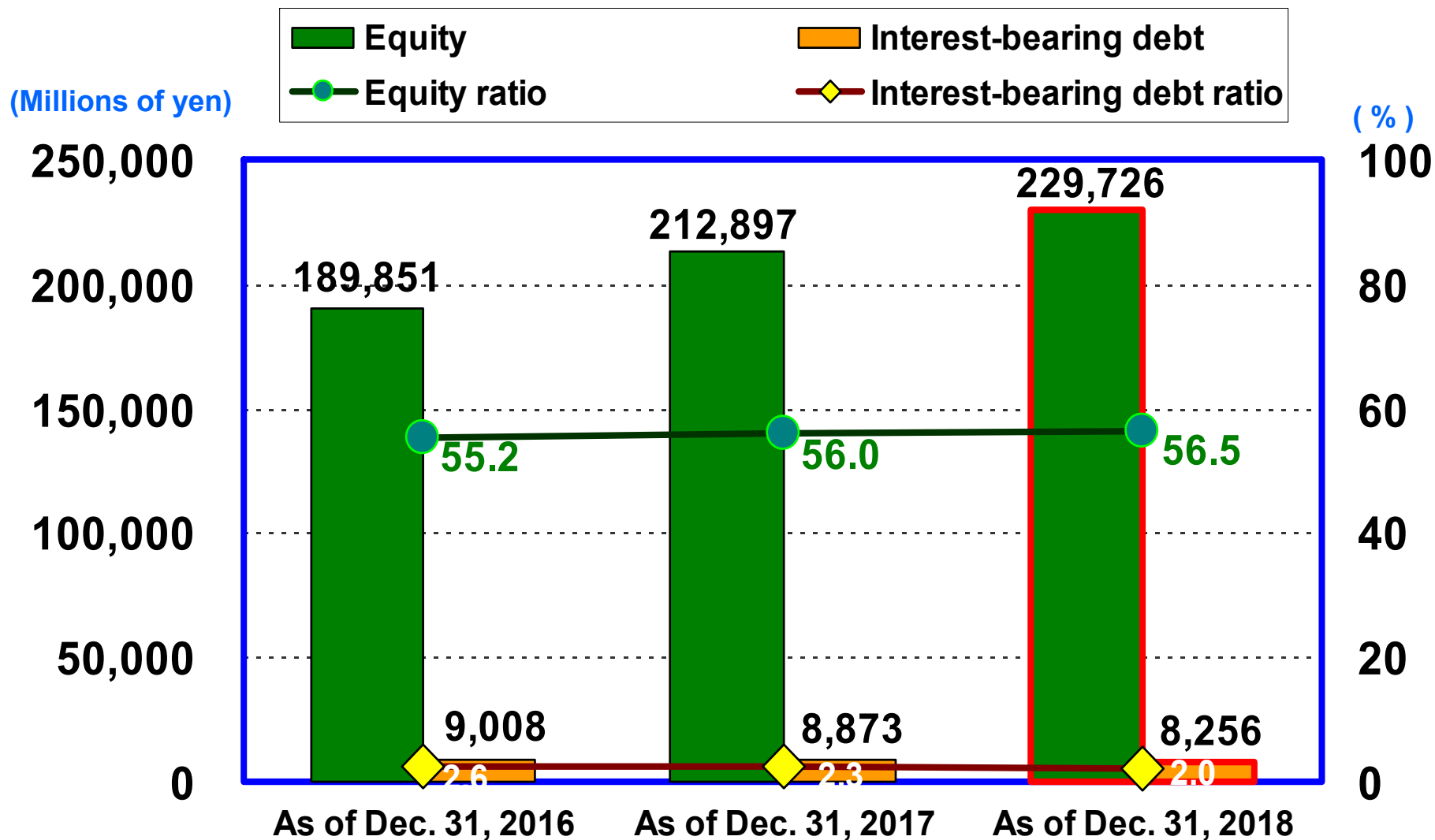
# Cash flows





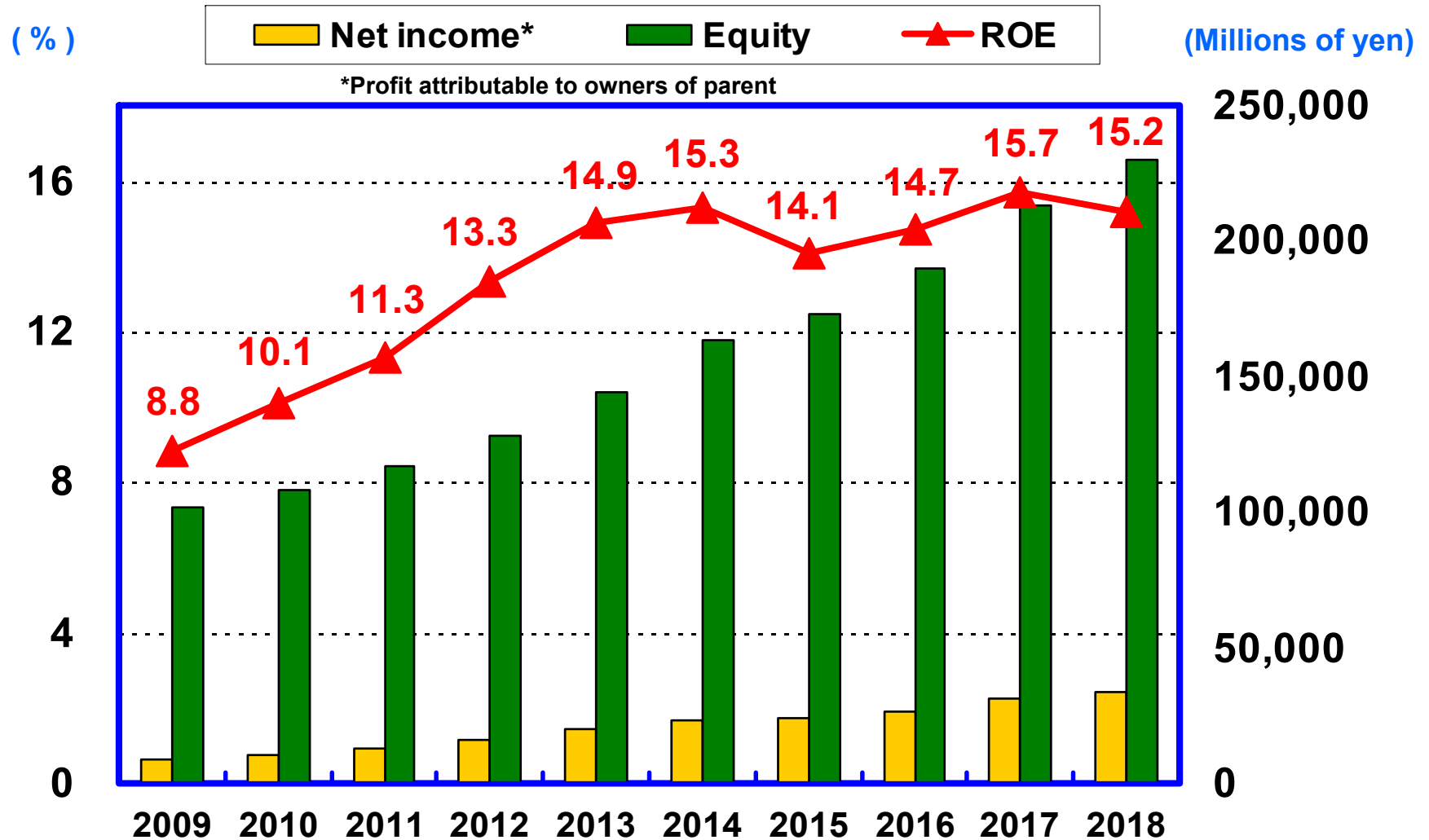
Consolidated

# Equity and Interest-bearing debt



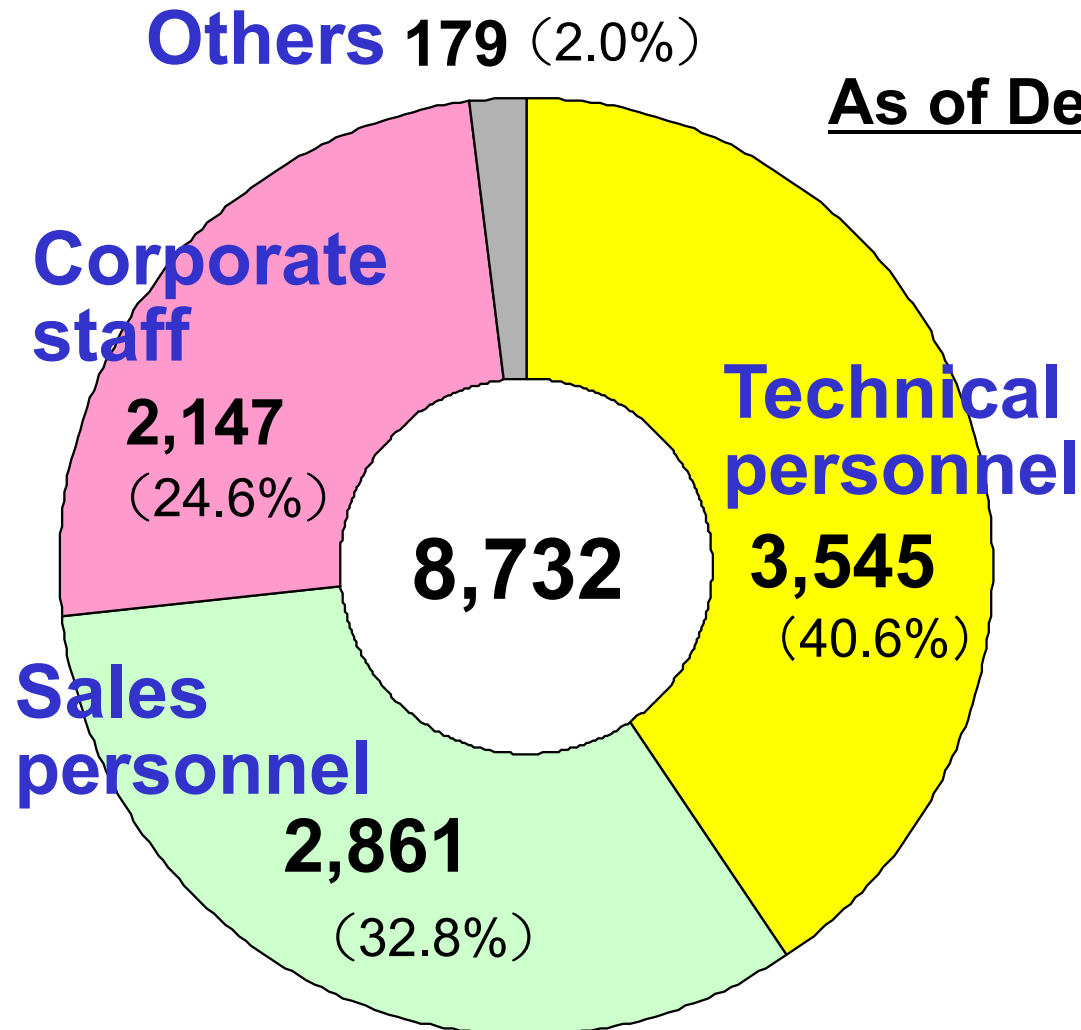
Consolidated

# ROE



Consolidated

# Personnel organization (regular employees)



As of Dec. 31, 2018



# Key strategic business

<Amount of Sales>

(Millions of yen)

	2016 Jan. – Dec.	2017 Jan. – Dec.		2018 Jan. – Dec.			2018 <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
<b>“tanomail”</b>	146,046	153,500	+5.1%	<b>159,932</b>	<b>+6,431</b>	<b>+4.2%</b>	<b>41,981</b>	<b>+1,979</b>	<b>+4.9%</b>
<b>SMILE</b>	9,774	10,817	+10.7%	<b>11,715</b>	<b>+897</b>	<b>+8.3%</b>	<b>3,013</b>	<b>-61</b>	<b>-2.0%</b>
<b>ODS</b>	51,746	55,997	+8.2%	<b>55,715</b>	<b>-281</b>	<b>-0.5%</b>	<b>13,775</b>	<b>-284</b>	<b>-2.0%</b>
<b>OSM</b>	67,937	67,514	-0.6%	<b>71,662</b>	<b>+4,148</b>	<b>+6.1%</b>	<b>18,150</b>	<b>+866</b>	<b>+5.0%</b>

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

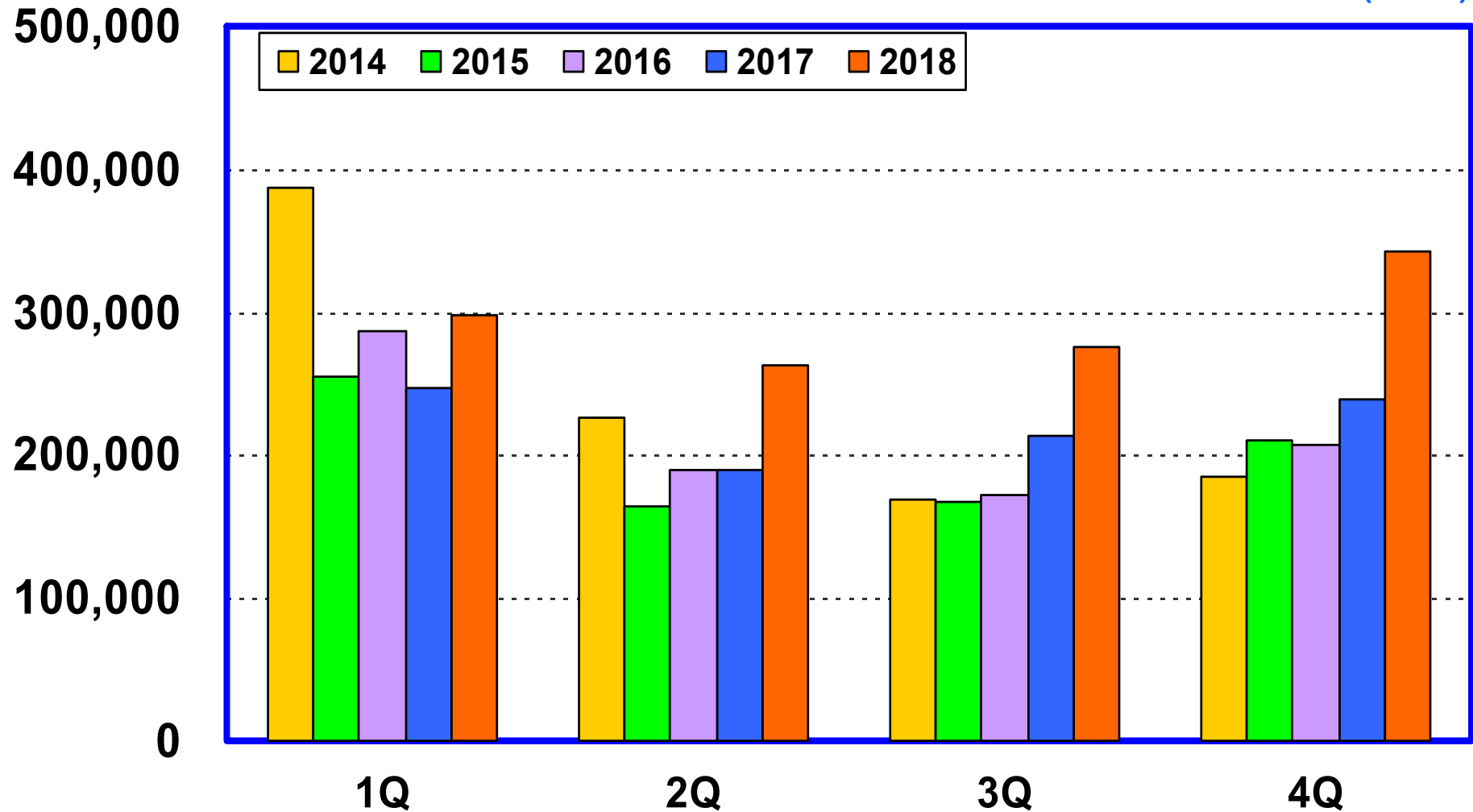
<As reference: Number of Sales>

(Units)

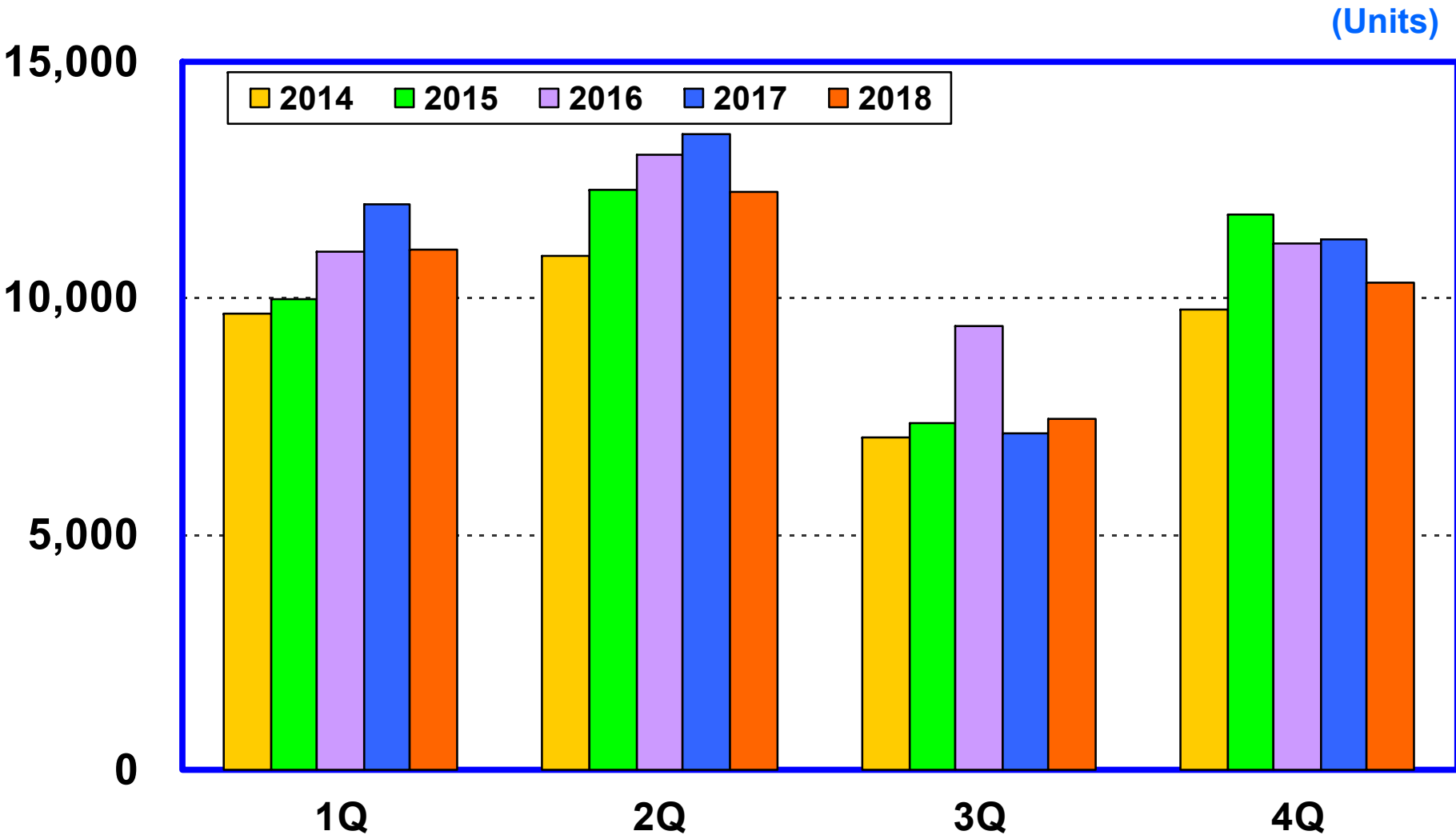
<b>Copier</b>	44,583	43,807	-1.7%	<b>41,046</b>	<b>-2,761</b>	<b>-6.3%</b>	<b>10,320</b>	<b>-925</b>	<b>-8.2%</b>
(of which Color copier)	42,060	41,942	-0.3%	<b>39,825</b>	<b>-2,117</b>	<b>-5.0%</b>	<b>10,043</b>	<b>-790</b>	<b>-7.3%</b>
<b>Server</b>	32,917	31,232	-5.1%	<b>32,000</b>	<b>+768</b>	<b>+2.5%</b>	<b>8,001</b>	<b>+1,102</b>	<b>+16.0%</b>
<b>PC</b>	854,876	887,640	+3.8%	<b>1,178,899</b>	<b>+291,259</b>	<b>+32.8%</b>	<b>341,853</b>	<b>+103,269</b>	<b>+43.3%</b>
<b>Client Total</b>	<b>904,393</b>	<b>927,835</b>	<b>+2.6%</b>	<b>1,222,643</b>	<b>+294,808</b>	<b>+31.8%</b>	<b>347,646</b>	<b>+97,166</b>	<b>+38.8%</b>

# Quarterly Number of PCs Sold

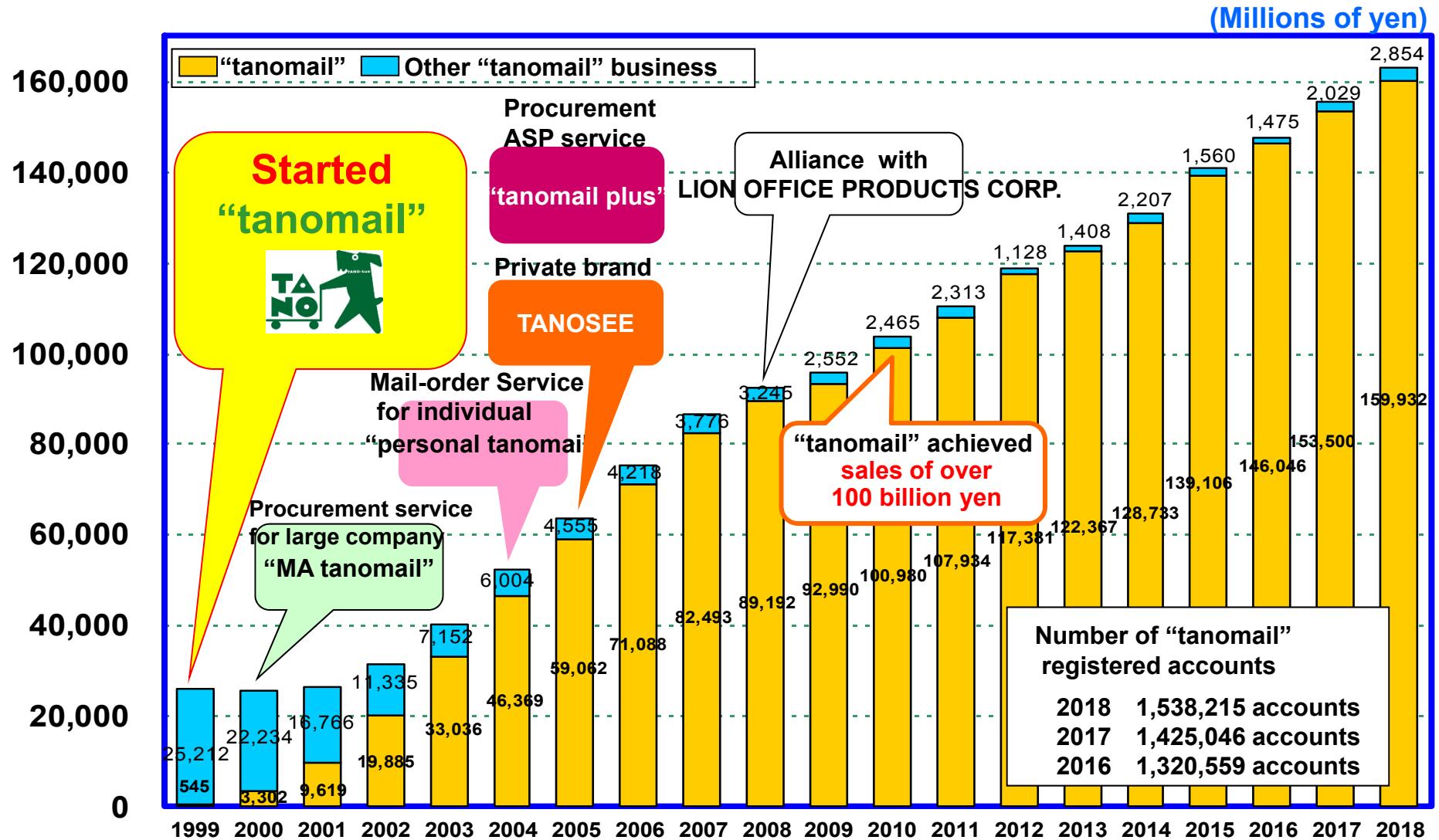
(Units)



# Quarterly Number of Copiers Sold



# Annual sales transition of "tanomail"



# 20th Anniversary of “tanomail”



## ■ 20th Anniversary Big Appreciation Fair

- Featured more than 1,000 products that included “Increased volume pack at regular prices,” “Commemorative products” and “Current issue limited time only special prices”

## ■ α Eco Paper “TANO-kun Forest”

- Sales in a limited quantity from October 2018
- Donated ¥10 per box to Japanese Red Cross Society, Japan Committee for UNICEF and Guide Dog & Service Dog & Hearing Dog Association of Japan



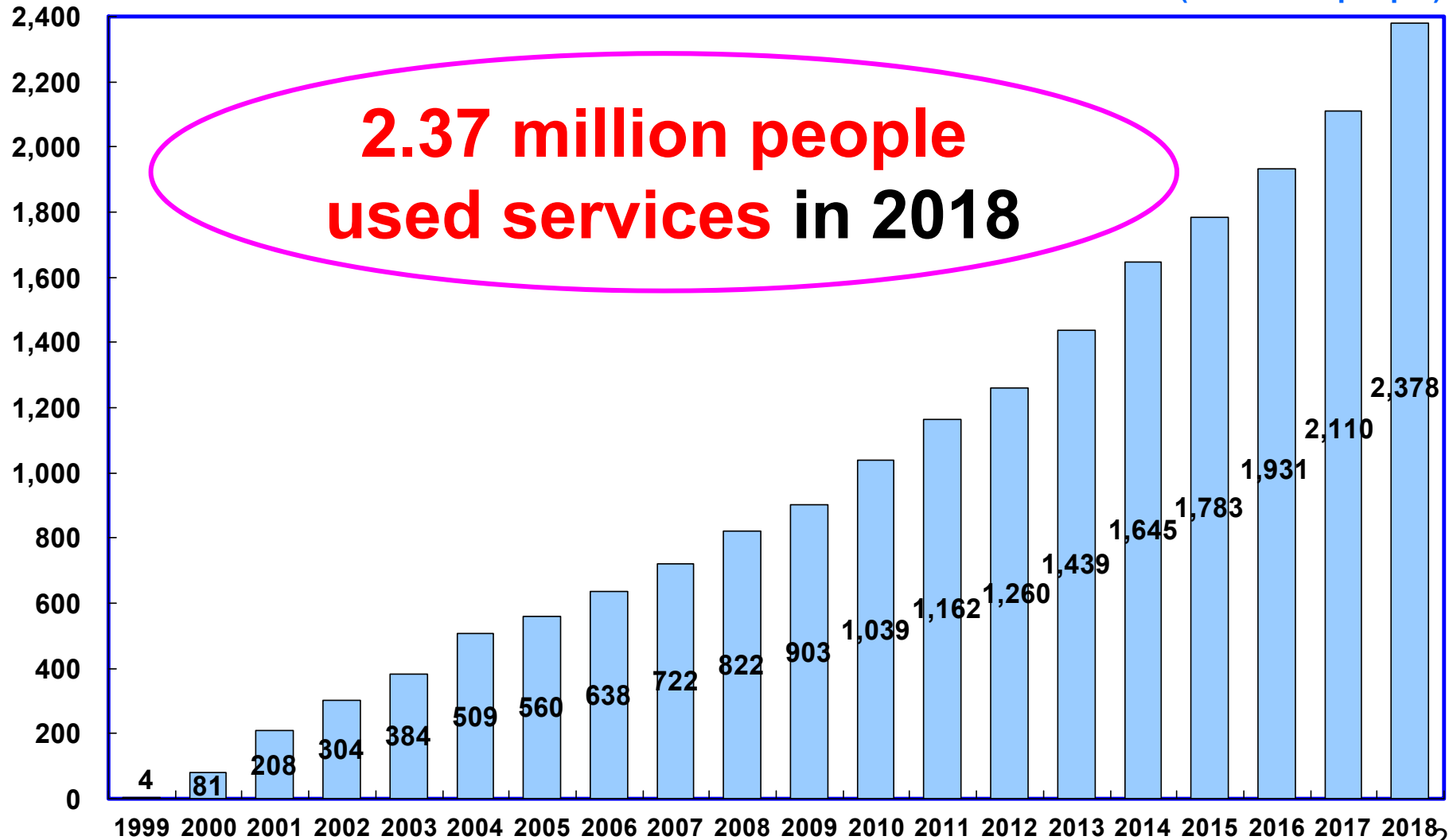
## ■ “Thank You Campaign”

Implemented “The First Time Campaign”



# Number of Users of Main Web Services (ASP)

(Thousand people)



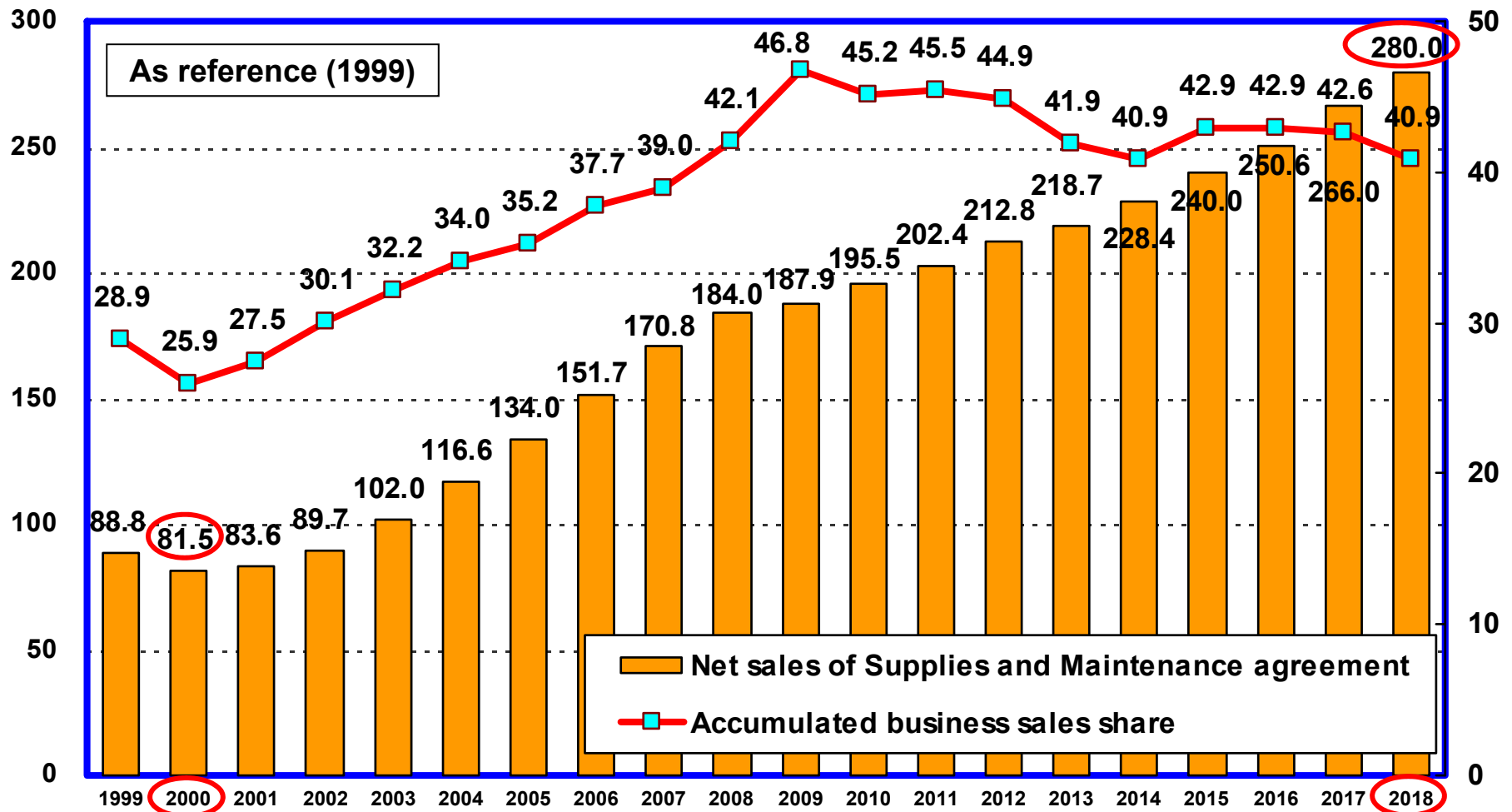
# Growth of accumulated business

## 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 2019

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- **Continued moderate growth of the Japanese economy**
- **Demand for aggressive IT investment, raising productivity and cost reductions**
- **Demand for responding to labor shortages and for labor-savings**
- **Market expansion in new domains such as AI and IoT**
- **Office “2020 Problem”**
- **Strong demand by companies for IT utilization and energy-saving**

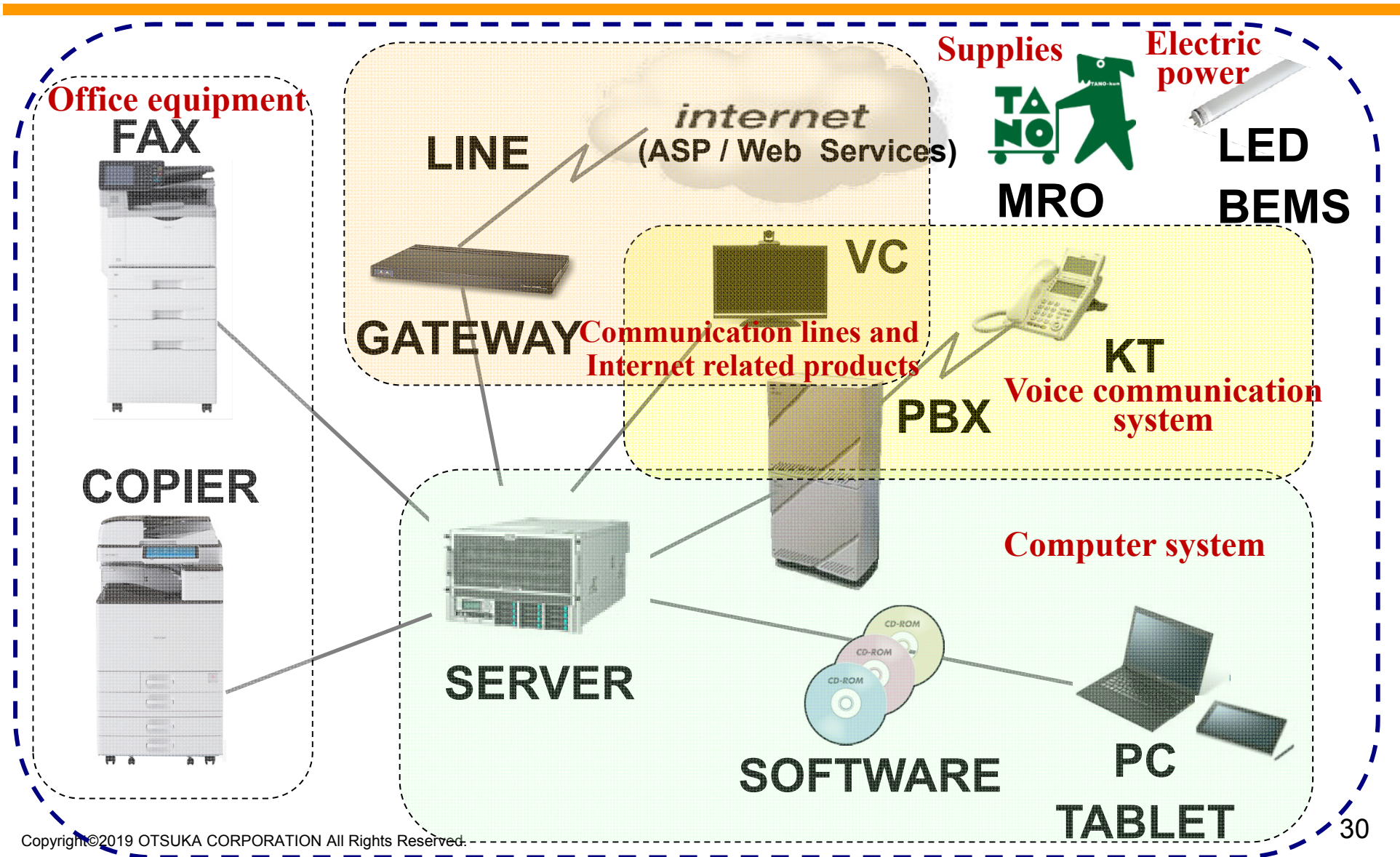
# Policies and Measures in 2019

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**“Leverage solutions from the perspective of customers and live up to customer trust.”**

- **Further deepen business management led by local area sales groups**
- **“OTSUKA CORPORATION for the entire office”**
- **Utilize AI internally and provide to customers**
- **Strengthen solution proposals for the office  
“2020 Problem”**

# OTSUKA CORPORATION for the Entire Office



# Provide Numerous Companies with the Value of AI Obtained through Practical Use

Use internally

Provide to numerous customers

AI

**AI telephone operator support function**

Inquiry answer support  
Voice to automated text



“AI inquiry support solutions”  
“AI voice analysis solutions”  
“Management support AI service”  
(Image recognition, AI effectiveness verification service, etc.)

RPA



【Results】

**300 work operations**

“Handle various types of RPA tools”  
“RPA introduction support services”  
“SMILE V RPA installation”



Chatbot



For customers/For internal use  
**40 types of operations**

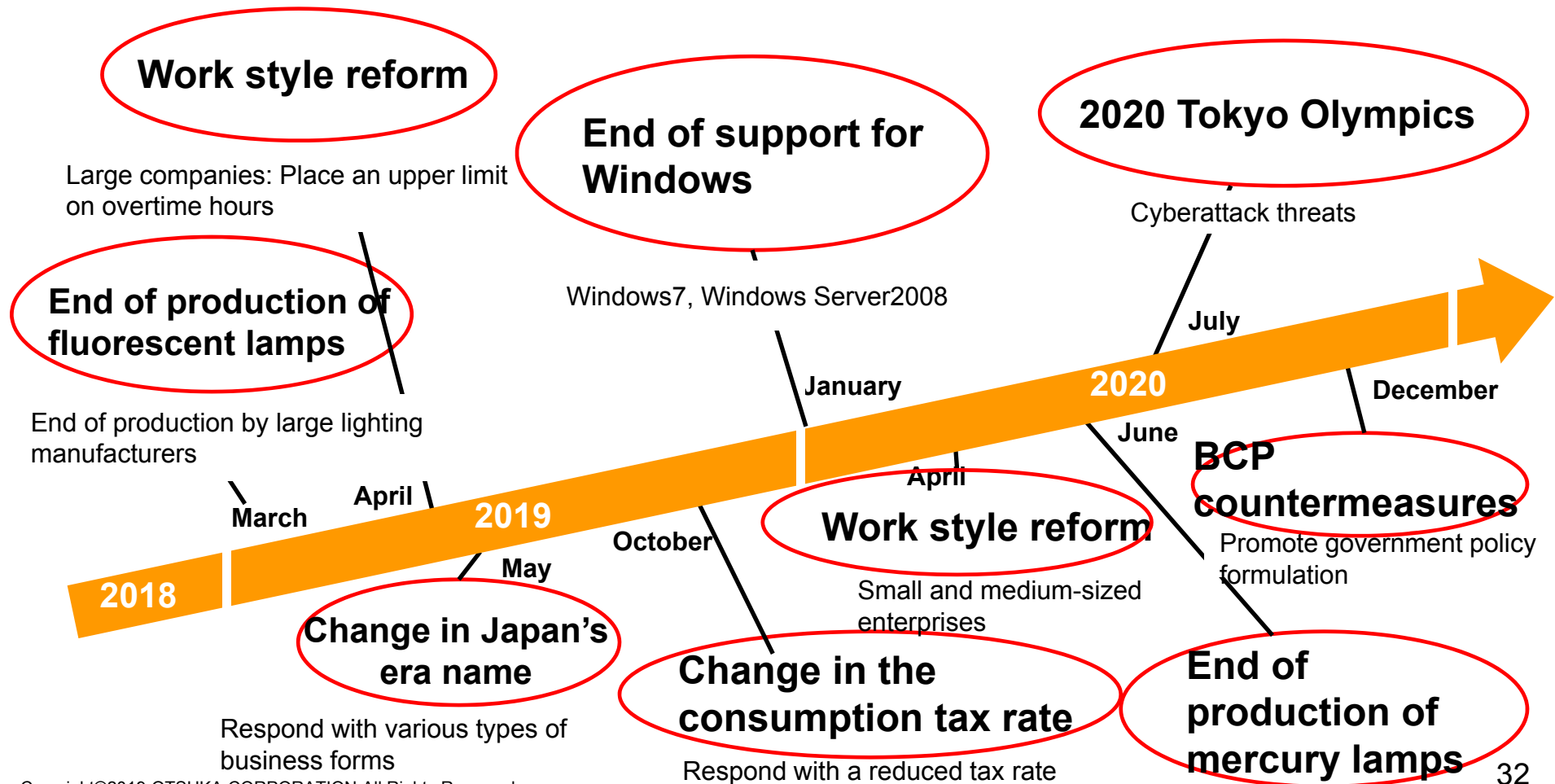


“tayoreru AI chatbot service”



# Office 2020 Problem

“Many troubles” happen to customers

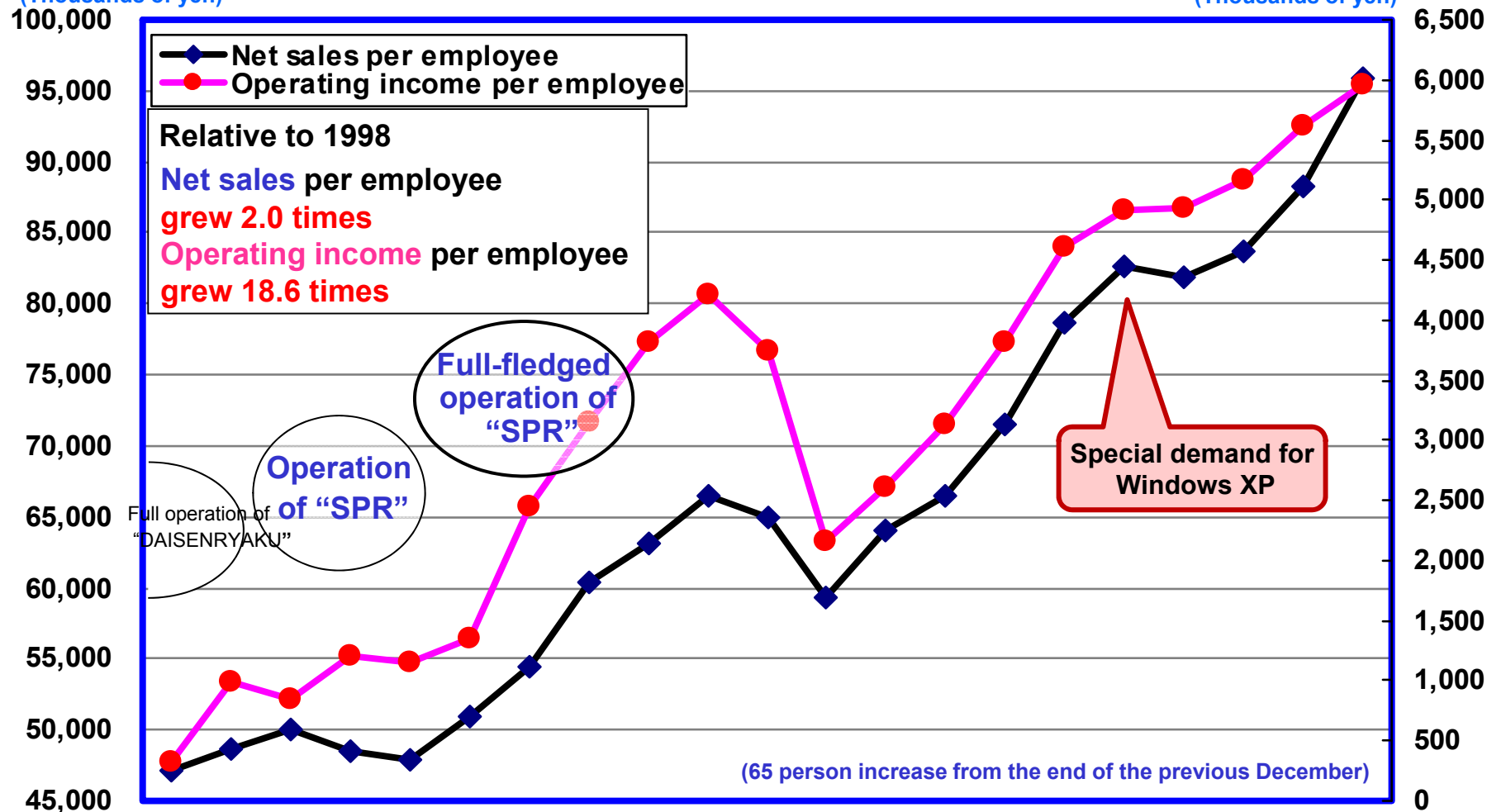


Non-Consolidated

# 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	2018
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	7,081	7,145
Number of days of	118	118	118	120	122	123	125	126	126	126	129	129	127	127	124	128	128	127	128	127	131

# Results from the Introduction of IT

Item	Unit	FY 1998	FY 2018	Change	Percent change
Days off	Days	118	131	13	11.0%
Net sales	Billions of yen	311.7	684.9	373.2	119.7%
Number of employees	Persons	6,621	7,145	524	7.9%



All-time high

Twofold increase

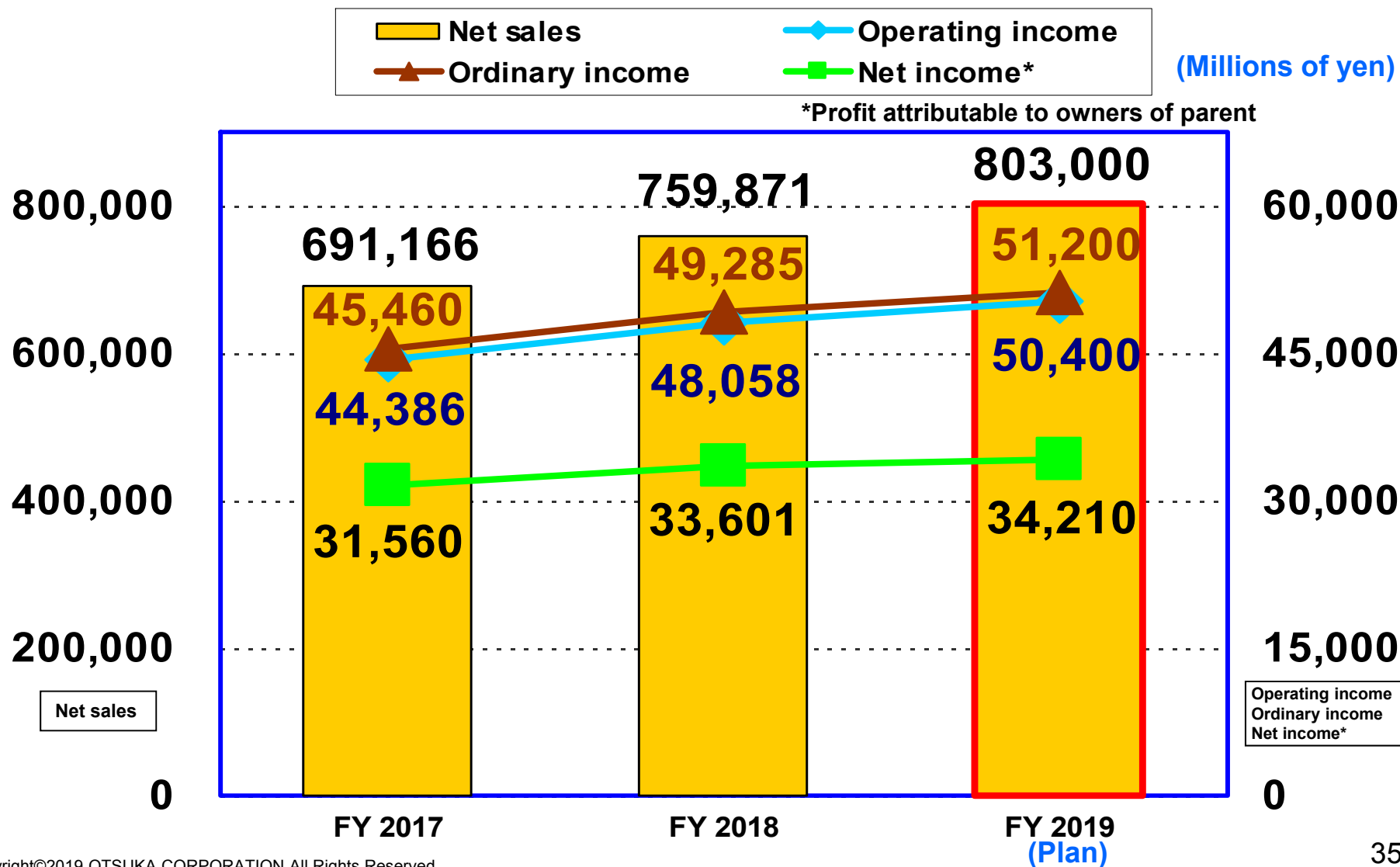
Slight increase

**Planned 136 work days off (increase of five days) in 2019**



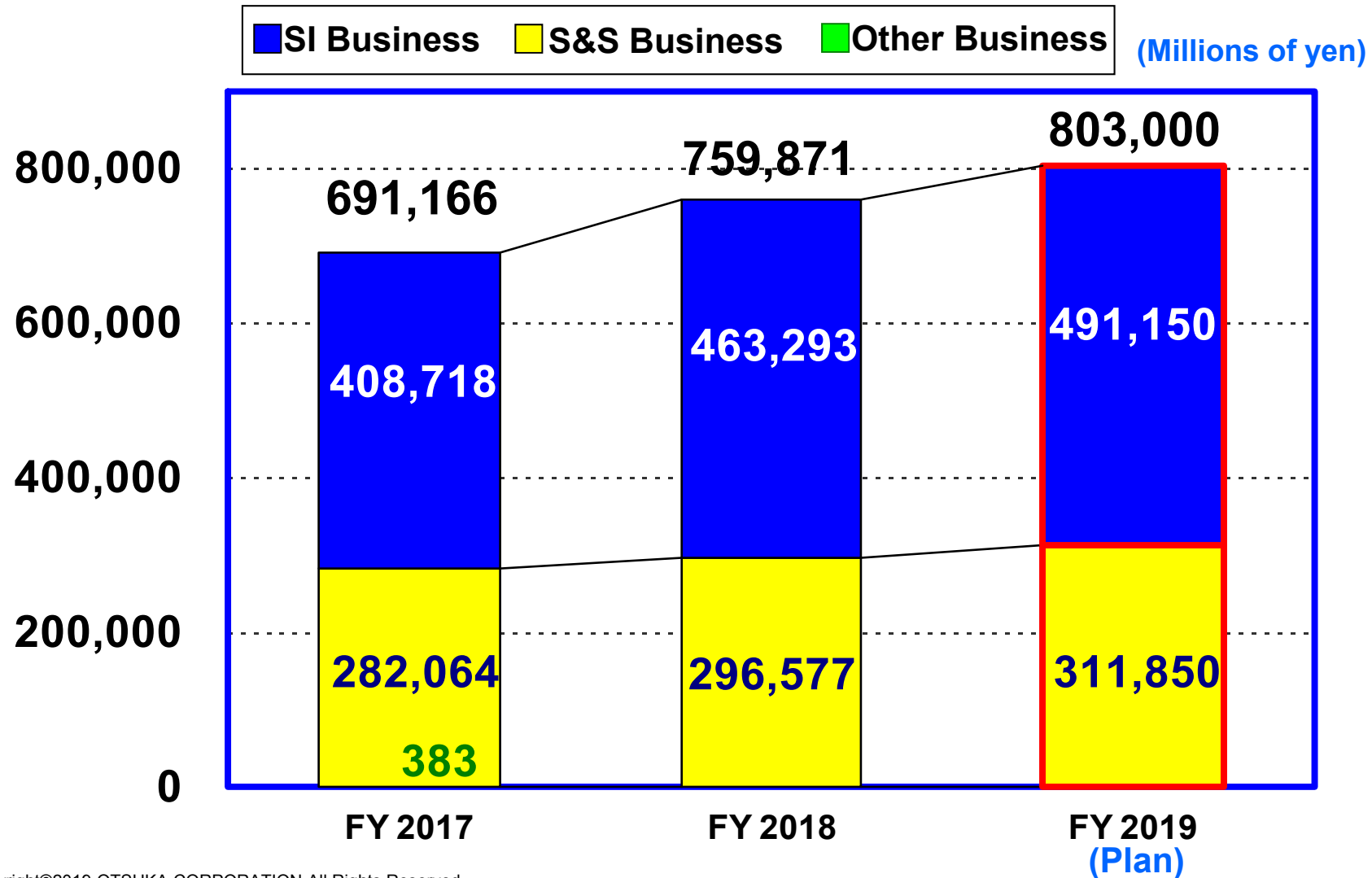
Consolidated

# Plans of Net sales and profit



Consolidated

# Plans of Net sales by segments



# Jissen (Practical) Solution Fair 2019

## Open with IT, work style reforms



**Dates : February 6 (Wed) – February 8 (Fri)**  
**Venue: The Prince Park Tower Tokyo**



# Cautionary statement

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