



Fiscal year ending December 2019
Six months (January – June)
Business Results

August 1, 2019

OTSUKA CORPORATION
Yuji Otsuka, President

Summary of Business Results, January - June, 2019

(Millions of yen)

| | Consolidated | | | Non-Consolidated | | |
|-------------------------|----------------|----------------------|---------------------|------------------|----------------------|---------------------|
| | Amount | Ratio to Plan (Note) | Change to Last Year | Amount | Ratio to Plan (Note) | Change to Last Year |
| Net sales | 450,154 | 108.9% | +15.5% | 407,372 | 108.7% | +15.3% |
| Operating income | 33,880 | 118.9% | +24.7% | 30,412 | 119.5% | +26.4% |
| Ordinary income | 34,710 | 119.9% | +24.6% | 31,949 | 118.9% | +25.9% |
| Net income* | 23,522 | 122.0% | +25.2% | 22,141 | 120.0% | +26.2% |

*Profit attributable to owners of parent

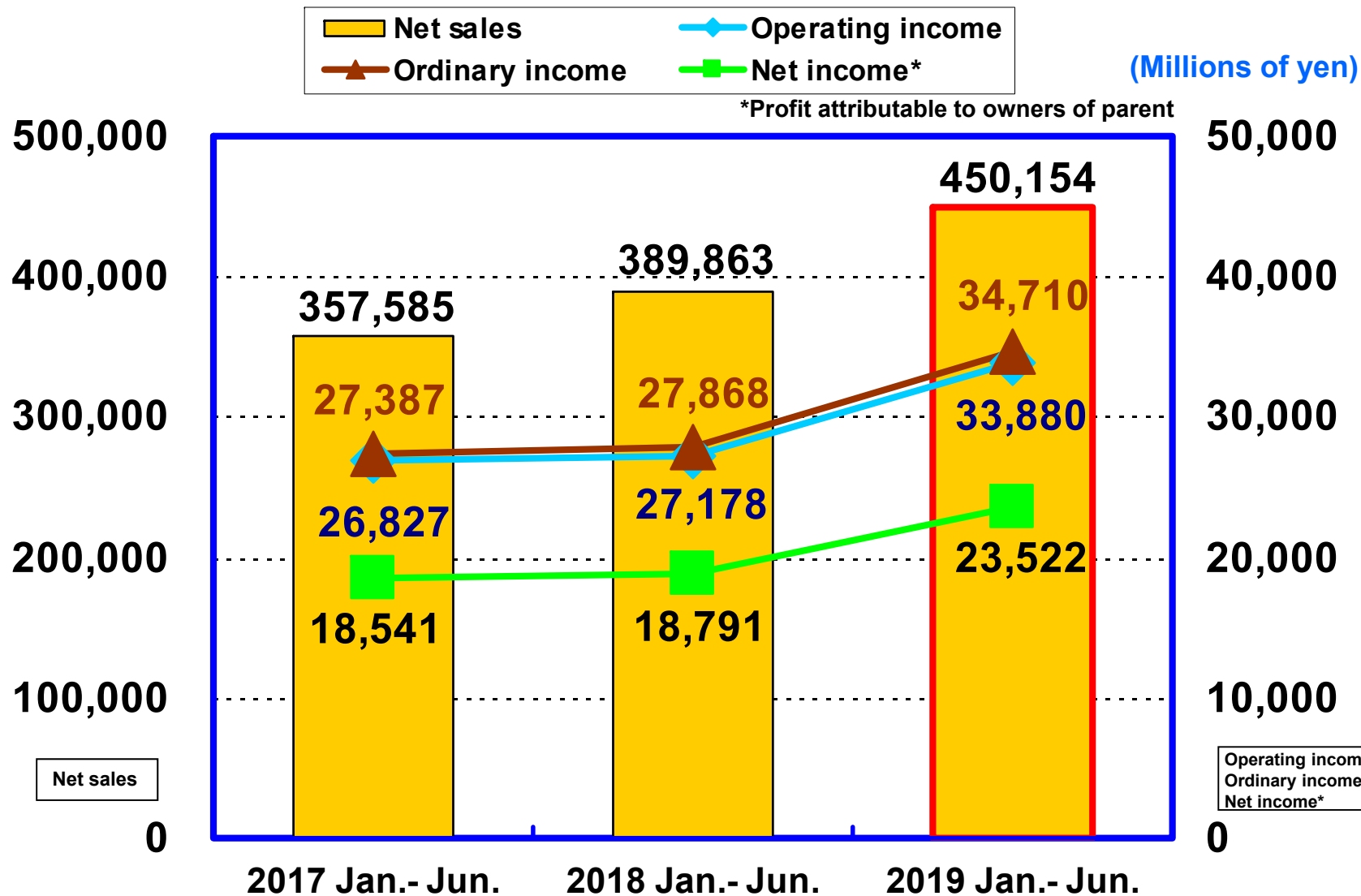
(Note) Compared with plan announced on February 1, 2019 at the beginning of the term.

Consolidated subsidiaries

| Segment | Company name | Business domain | Number of employees | 2019 Jan.- Jun. Net sales (Millions of yen) |
|---------|-----------------------|--|---------------------|---|
| I S | OSK Co., LTD. | Development and sale of packaged software, IT consulting, and Consigned software development | 443 | 5,082 |
| | Net World Corporation | Sales and technology support for network-related equipment | 427 | 61,759 |
| S & S | Alpha Techno Co., Ltd | Emergency repair of PC and peripheral equipment and data recovery service | 321 | 2,453 |
| | Alpha Net Co., Ltd | Comprehensive service and support for network systems | 446 | 4,415 |

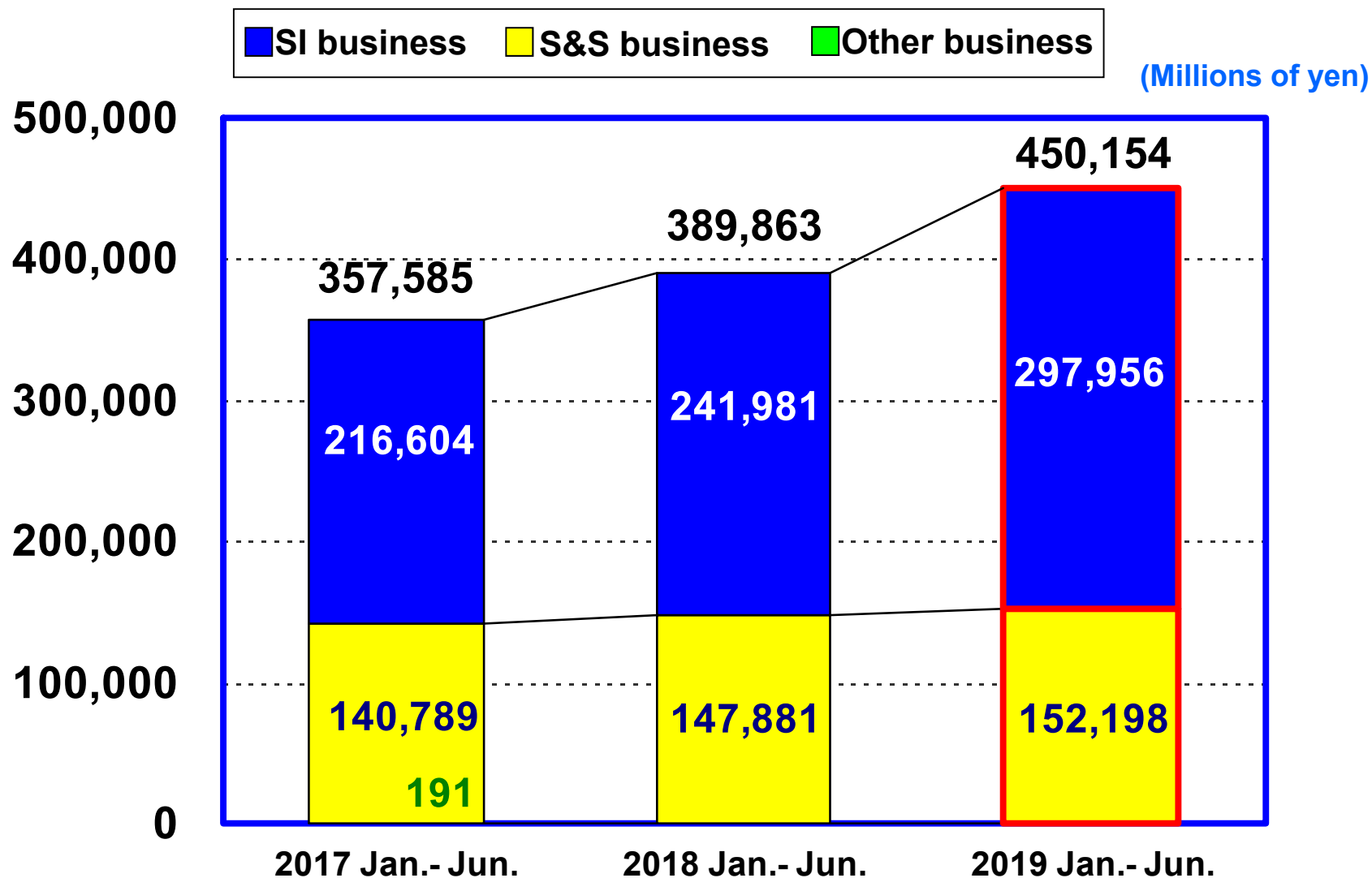
Consolidated

Net sales and Profits

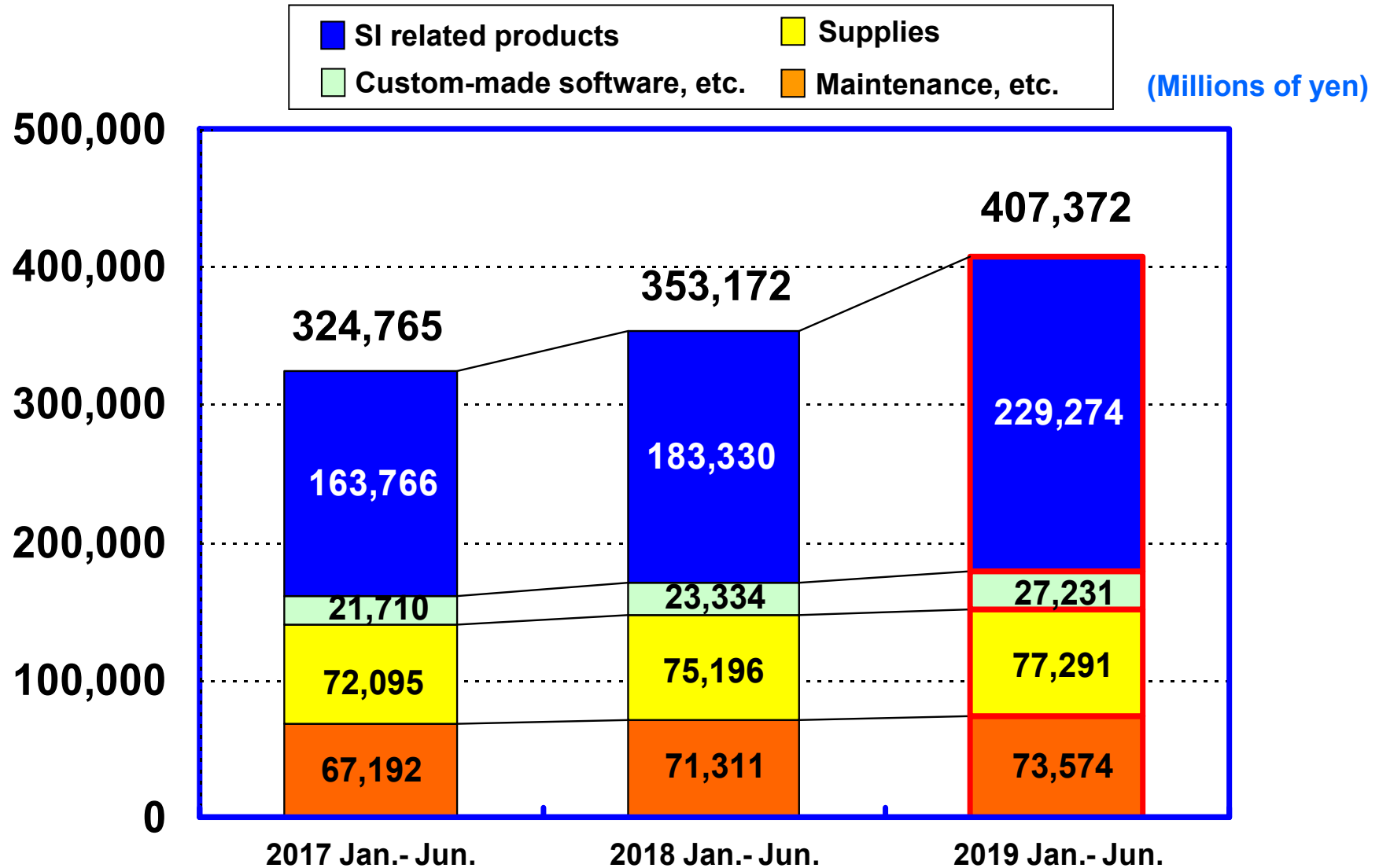


Consolidated

Net sales by segments

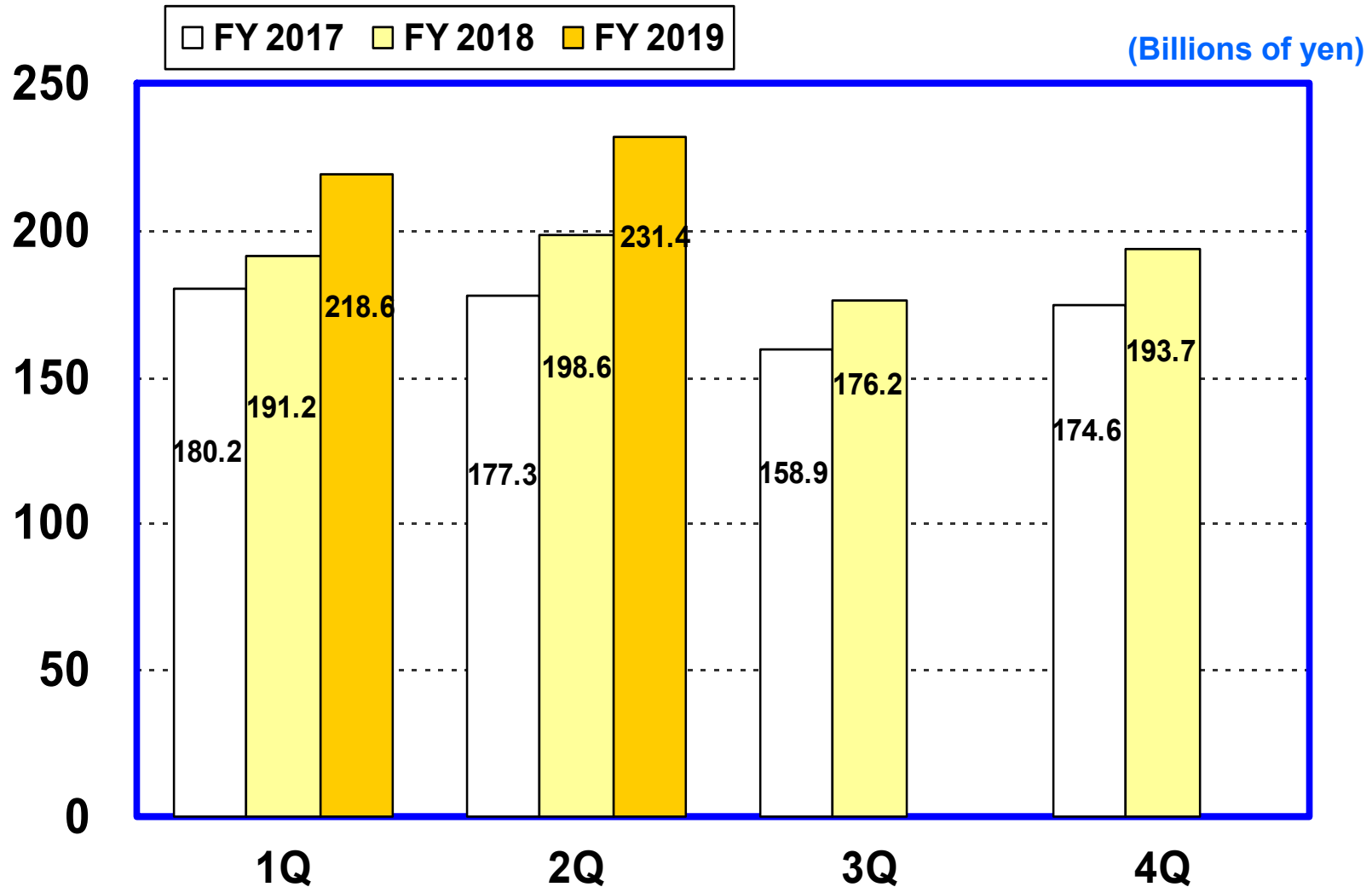


Net sales by 4 segments



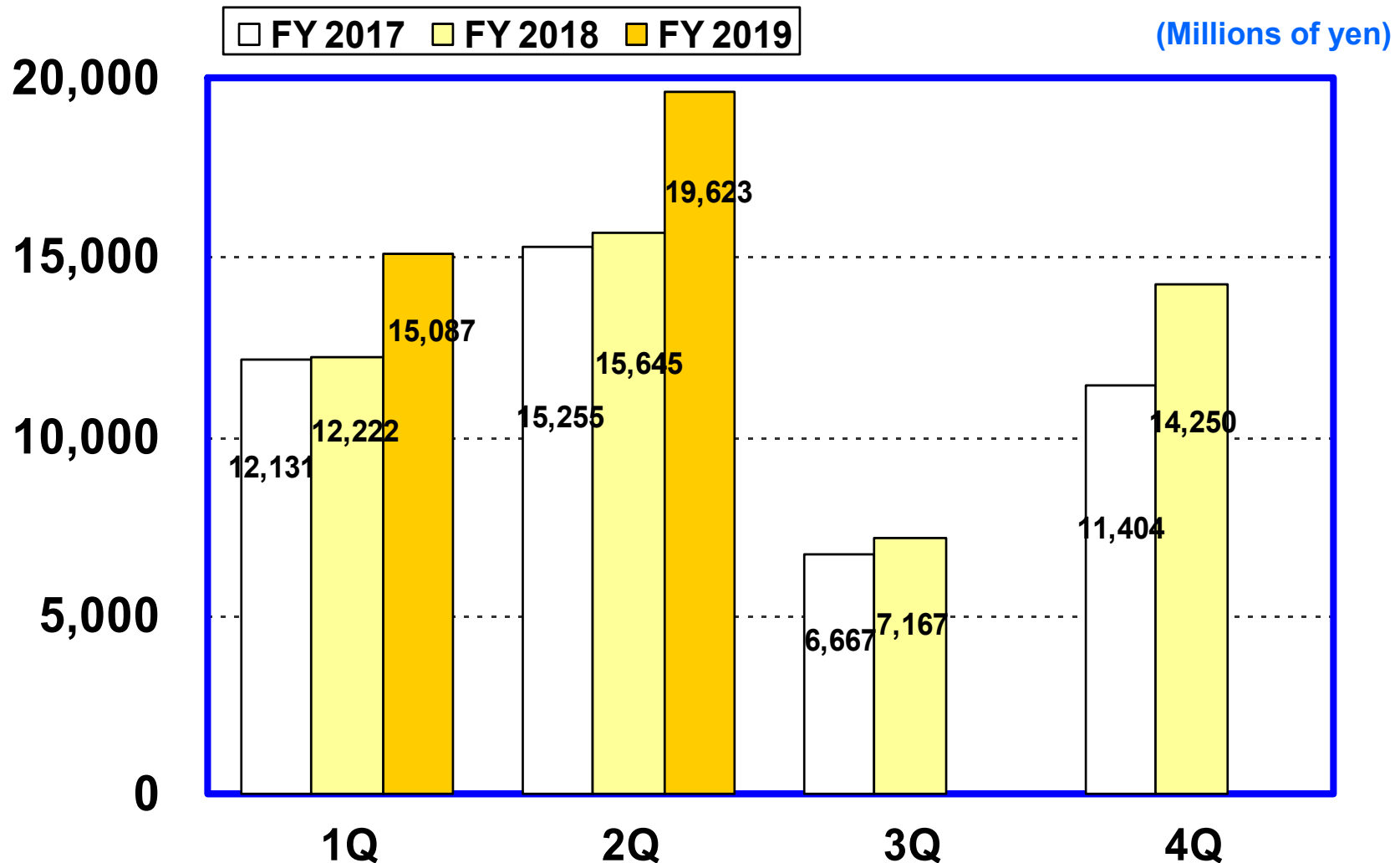
Consolidated

Quarterly change of Net sales



Consolidated

Quarterly change of Ordinary income



Summary of Business Results, April – June, 2019

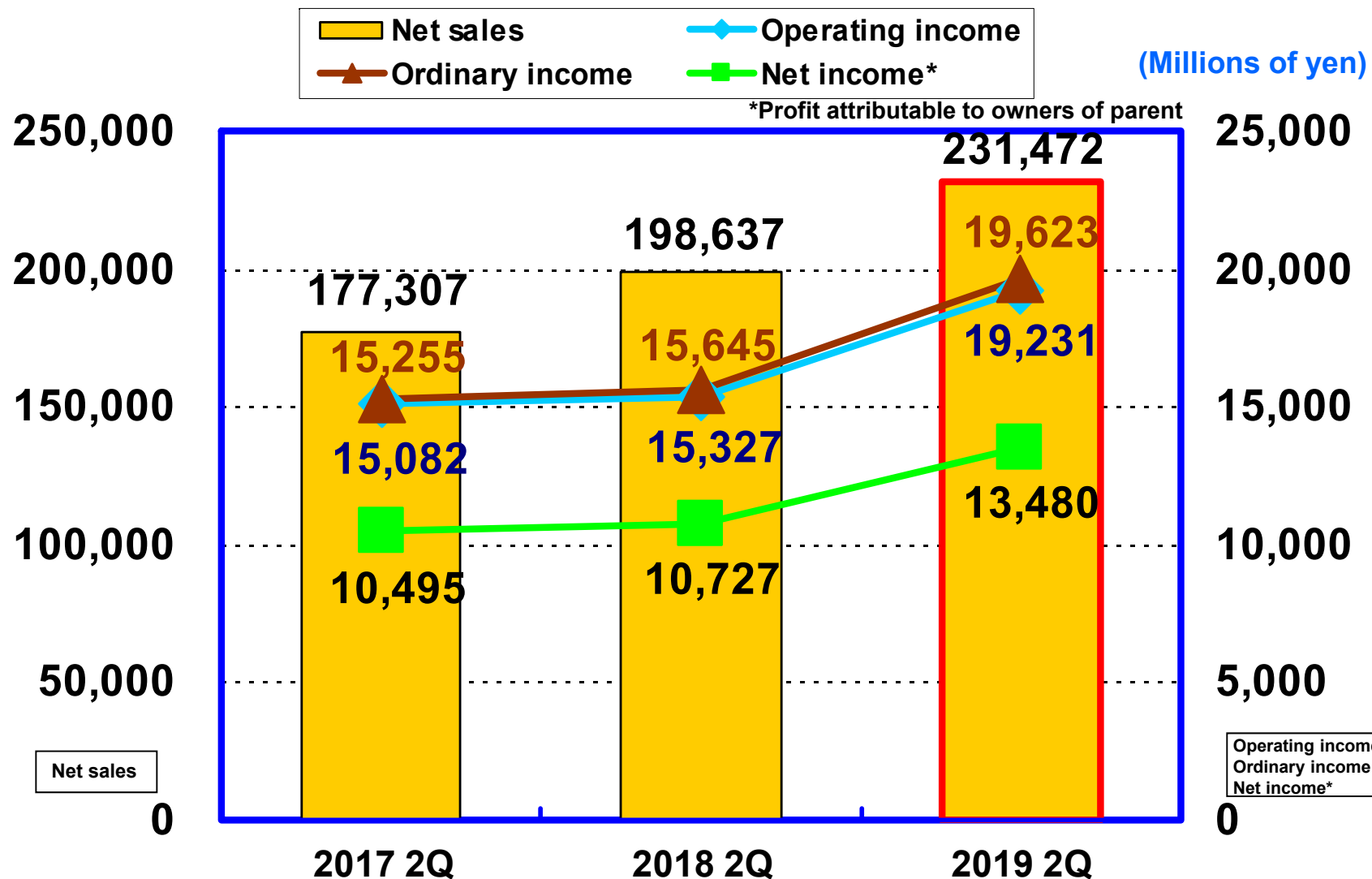
(Millions of yen)

| | Consolidated | | Non-Consolidated | |
|------------------|--------------|---------------------|------------------|---------------------|
| | Amount | Change to Last year | Amount | Change to Last year |
| Net sales | 231,472 | +16.5% | 209,851 | +15.7% |
| Operating income | 19,231 | +25.5% | 17,618 | +26.2% |
| Ordinary income | 19,623 | +25.4% | 17,875 | +26.1% |
| Net income* | 13,480 | +25.7% | 12,376 | +26.3% |

*Profit attributable to owners of parent

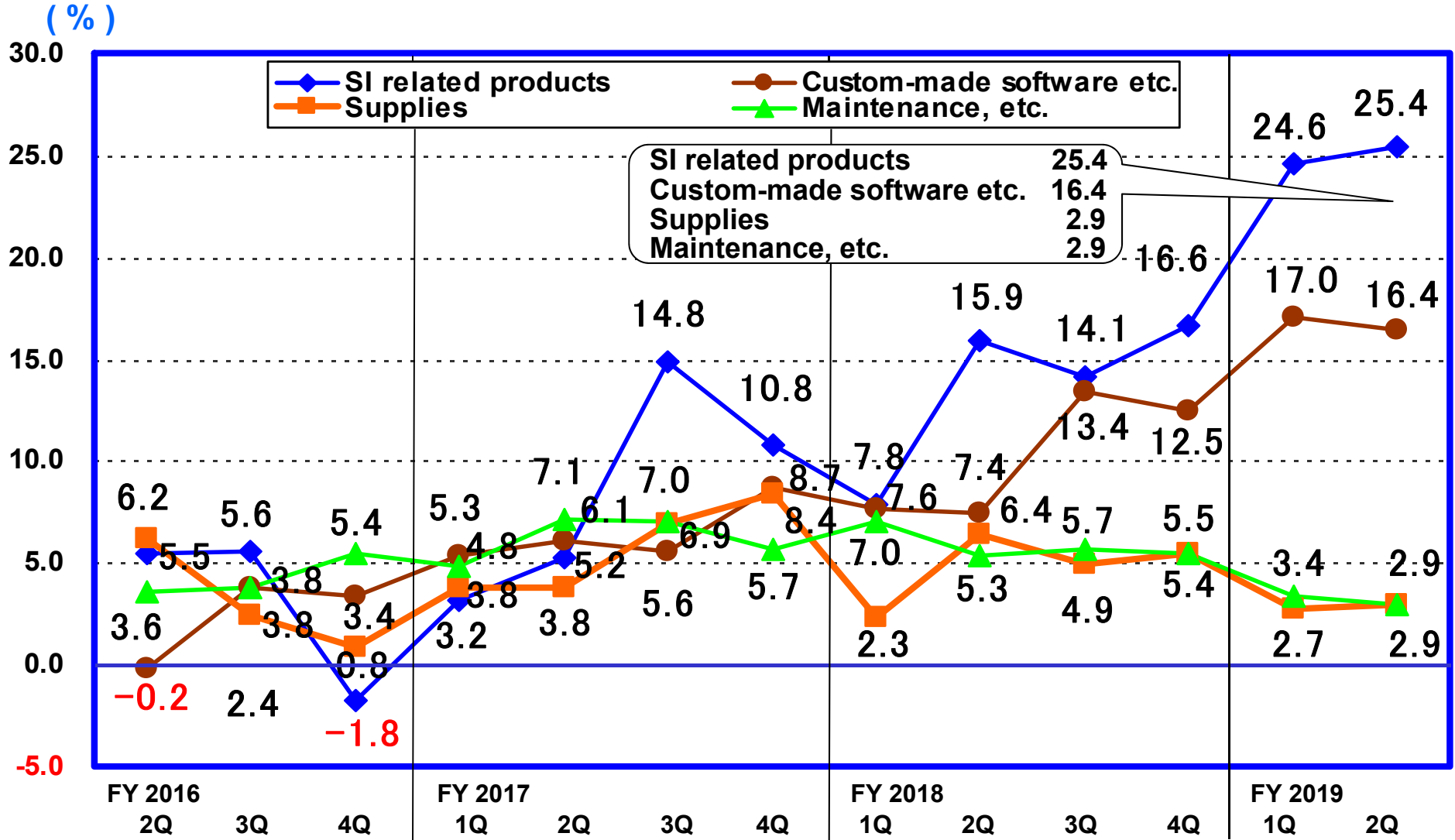
Consolidated

Net sales and Profits, April – June



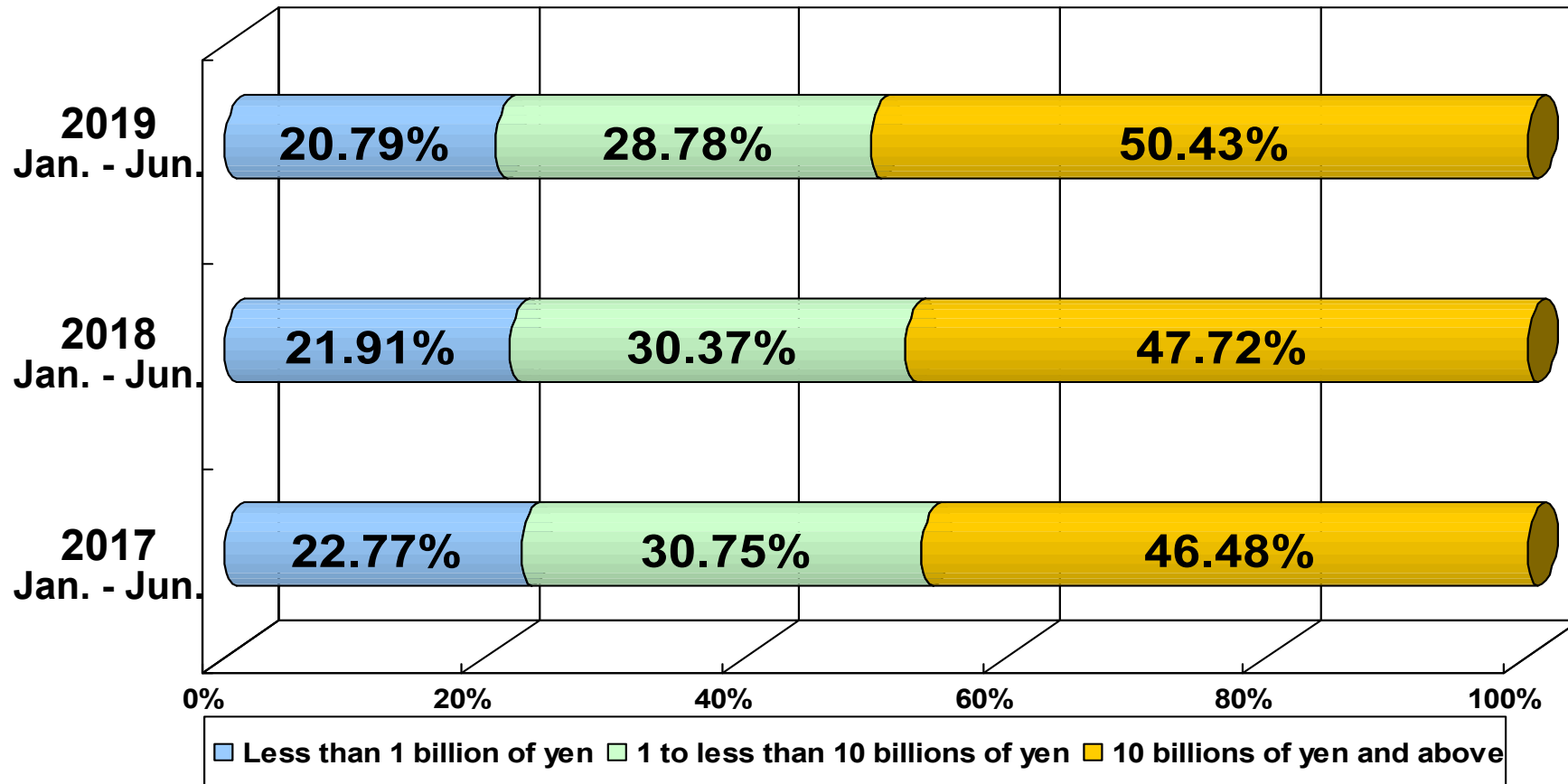
Non-Consolidated

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



Non-Consolidated

Net sales structure on customers' total annual business scale

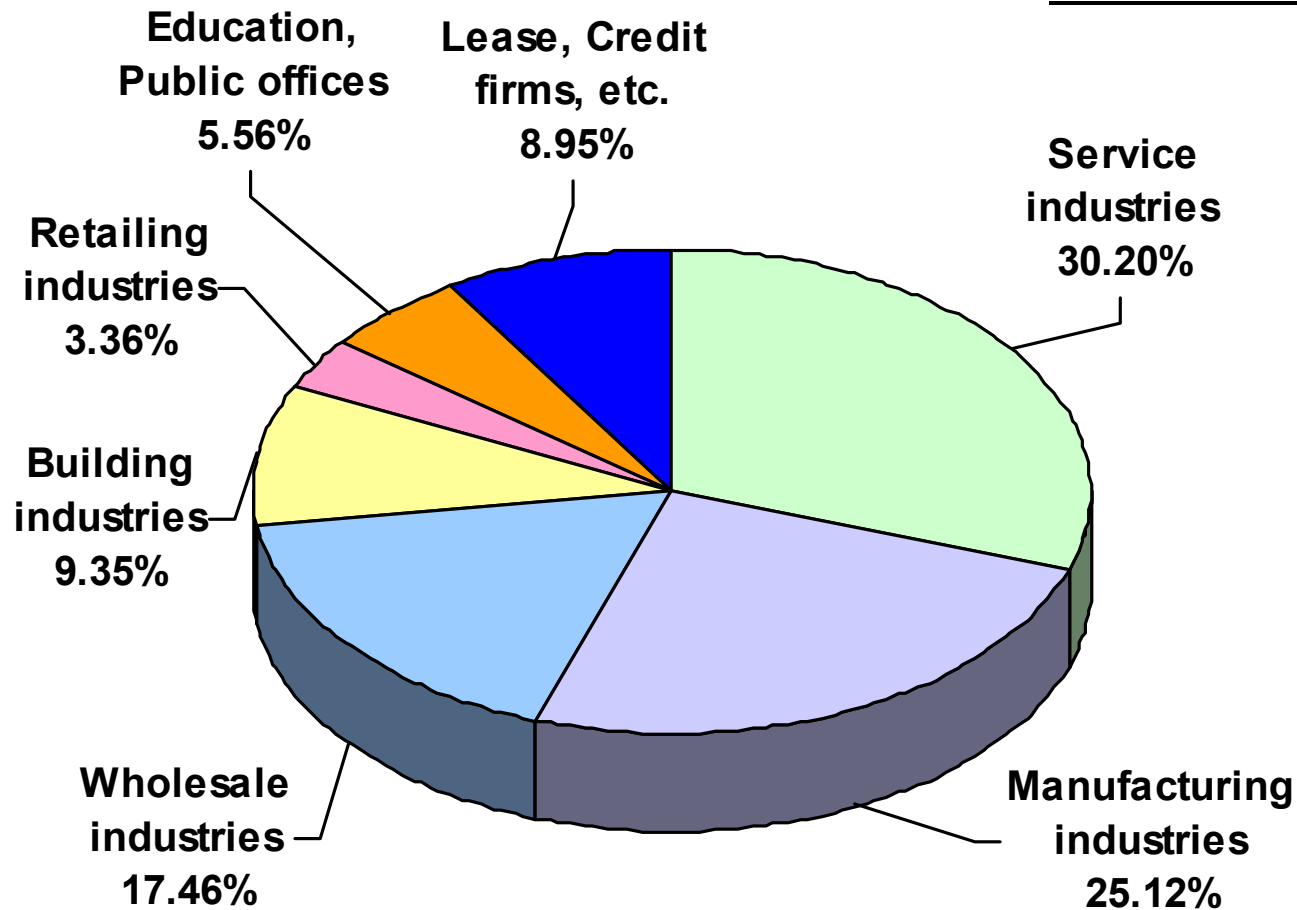


* "Less than 1 billion yen" includes public offices.

Non-Consolidated

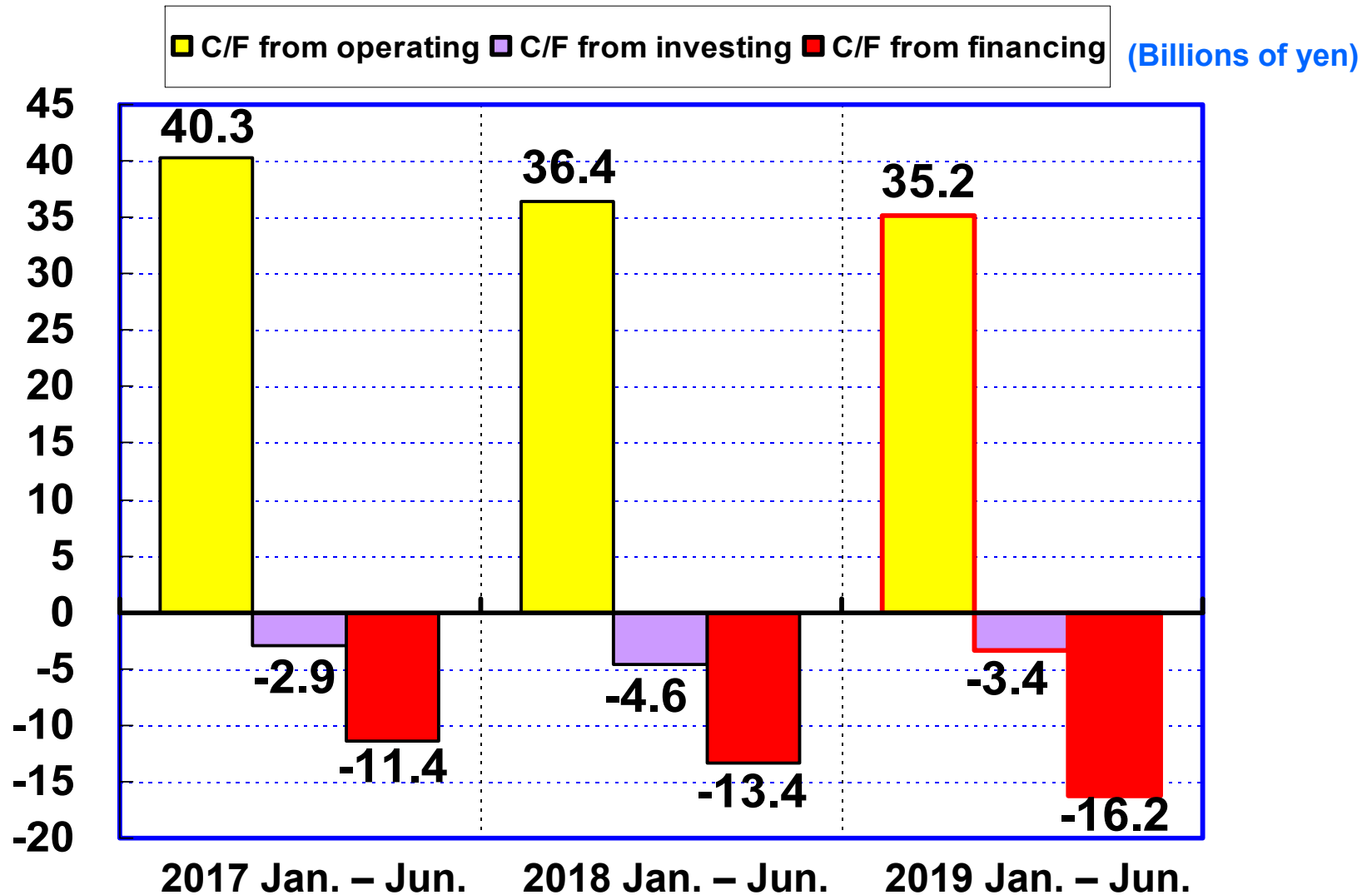
Sales breakdown by customers' type of industry

2019 Jan. – Jun.



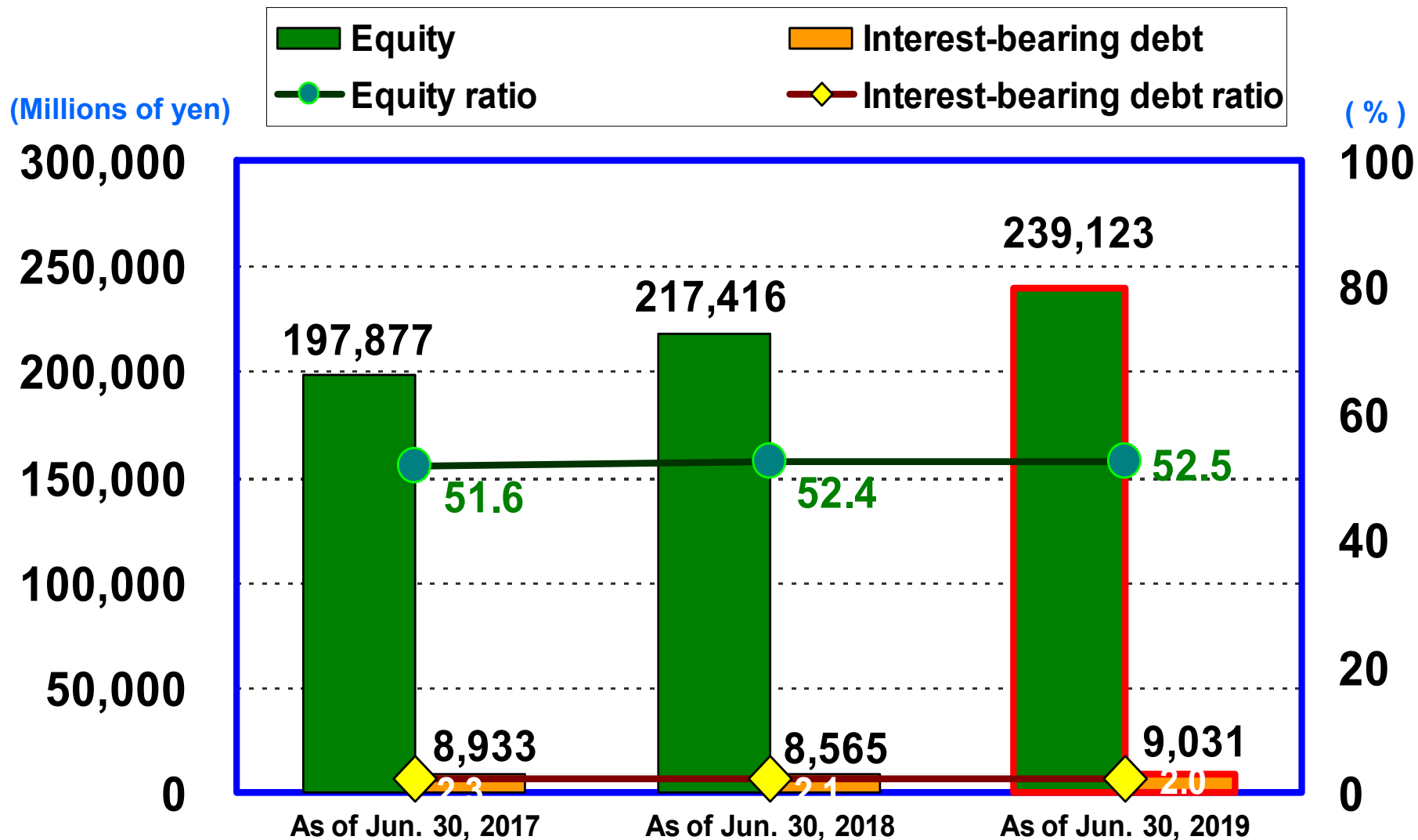
Consolidated

Cash flows



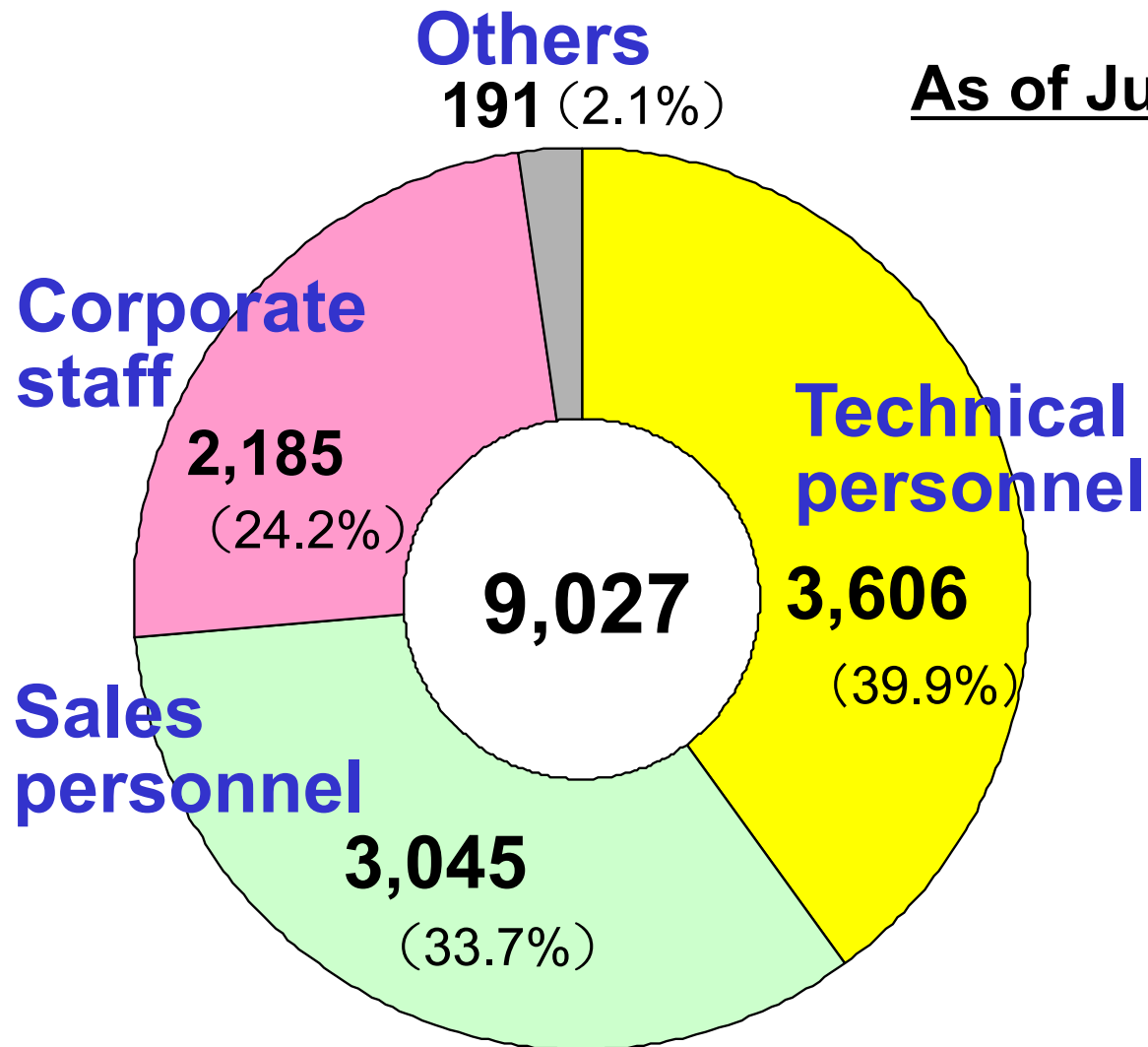
Consolidated

Equity and Interest-bearing debt



Consolidated

Personnel organization (regular employees)





Key strategic business

<Amount of Sales>

(Millions of yen)

| | 2017 Jan. – Jun. | 2018 Jan. – Jun. | | 2019 Jan. – Jun. | | | 2019 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” | 77,480 | 80,298 | +3.6% | 82,726 | +2,428 | +3.0% | 41,216 | +1,269 | +3.2% |
| SMILE | 5,950 | 6,458 | +8.5% | 7,141 | +683 | +10.6% | 4,435 | +641 | +16.9% |
| ODS | 32,083 | 31,479 | -1.9% | 31,325 | -153 | -0.5% | 17,094 | +62 | +0.4% |
| OSM | 34,748 | 36,842 | +6.0% | 39,025 | +2,182 | +5.9% | 20,494 | +1,512 | +8.0% |

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

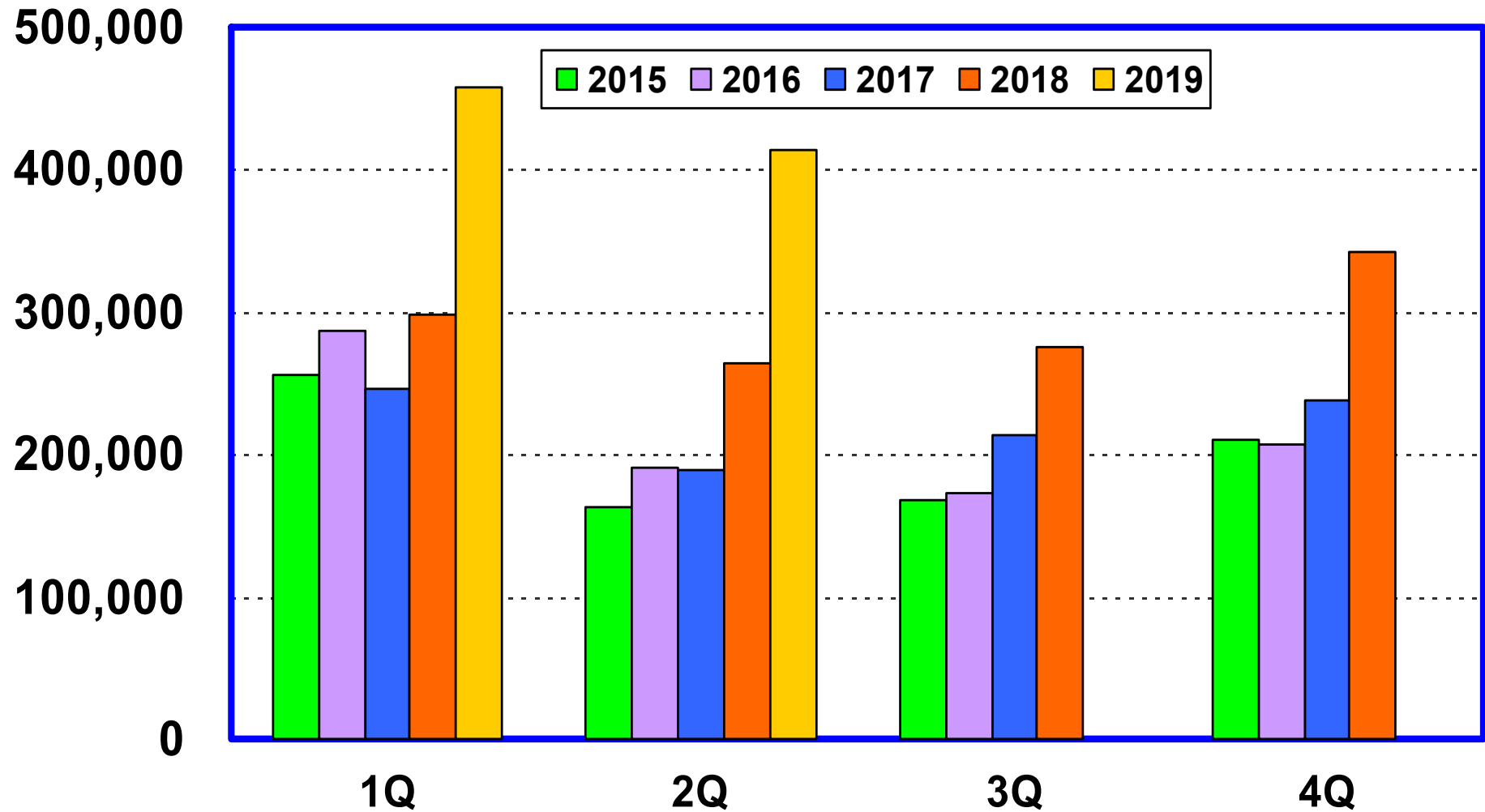
<As reference: Number of Sales>

(Units)

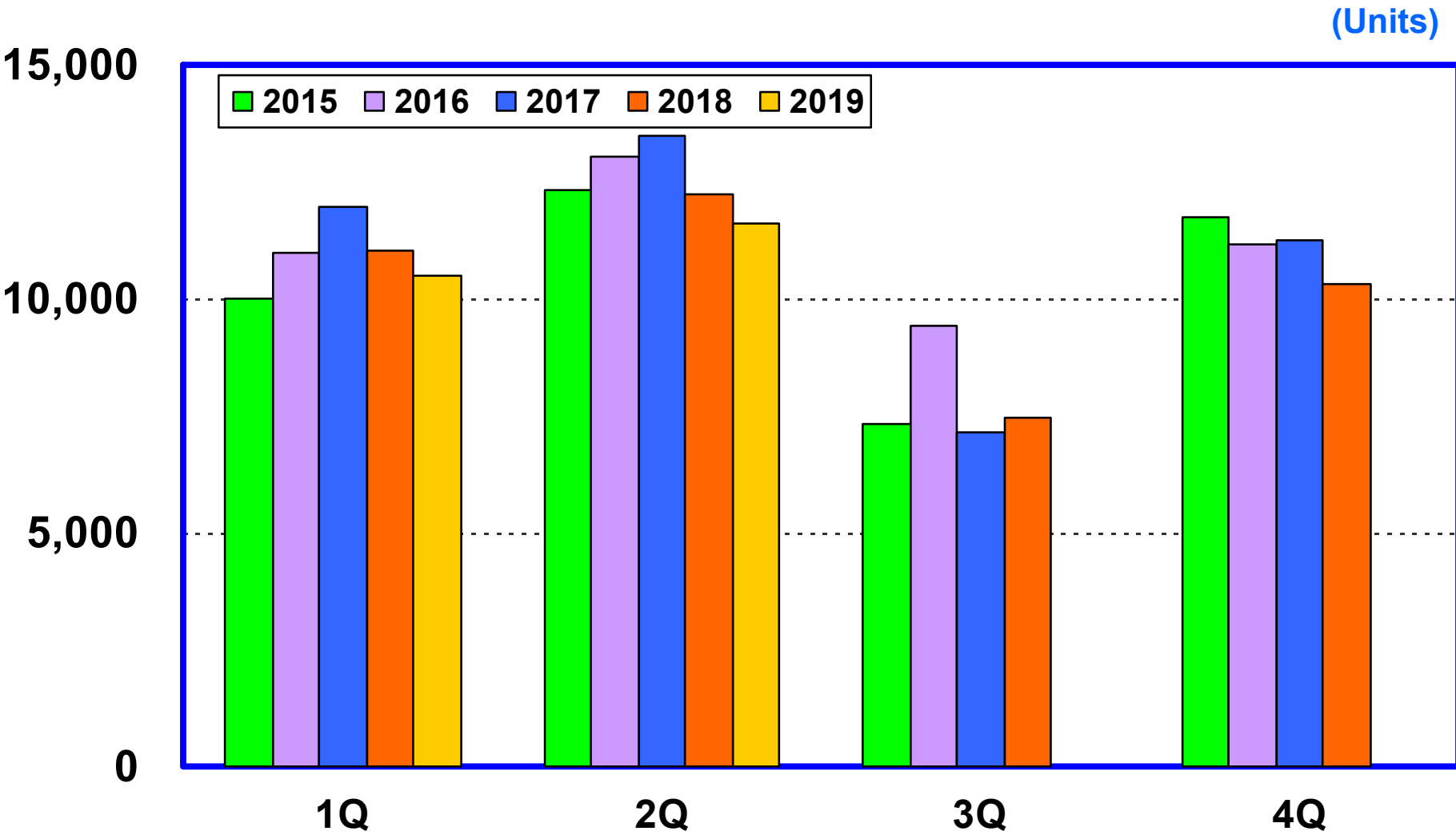
| | | | | | | | | | |
|----------------------------|---------|---------|--------|----------------|-----------------|---------------|----------------|-----------------|---------------|
| Copier | 25,440 | 23,274 | -8.5% | 22,128 | -1,146 | -4.9% | 11,621 | -633 | -5.2% |
| (of which Color copier) | 24,270 | 22,553 | -7.1% | 21,458 | -1,095 | -4.9% | 11,255 | -639 | -5.4% |
| Server | 16,021 | 16,428 | +2.5% | 16,734 | +306 | +1.9% | 8,480 | +733 | +9.5% |
| PC | 435,431 | 561,599 | +29.0% | 871,683 | +310,084 | +55.2% | 413,547 | +150,357 | +57.1% |
| Client Total | 453,087 | 584,637 | +29.0% | 894,730 | +310,093 | +53.0% | 425,231 | +152,044 | +55.7% |

Quarterly Number of PCs Sold

(Units)

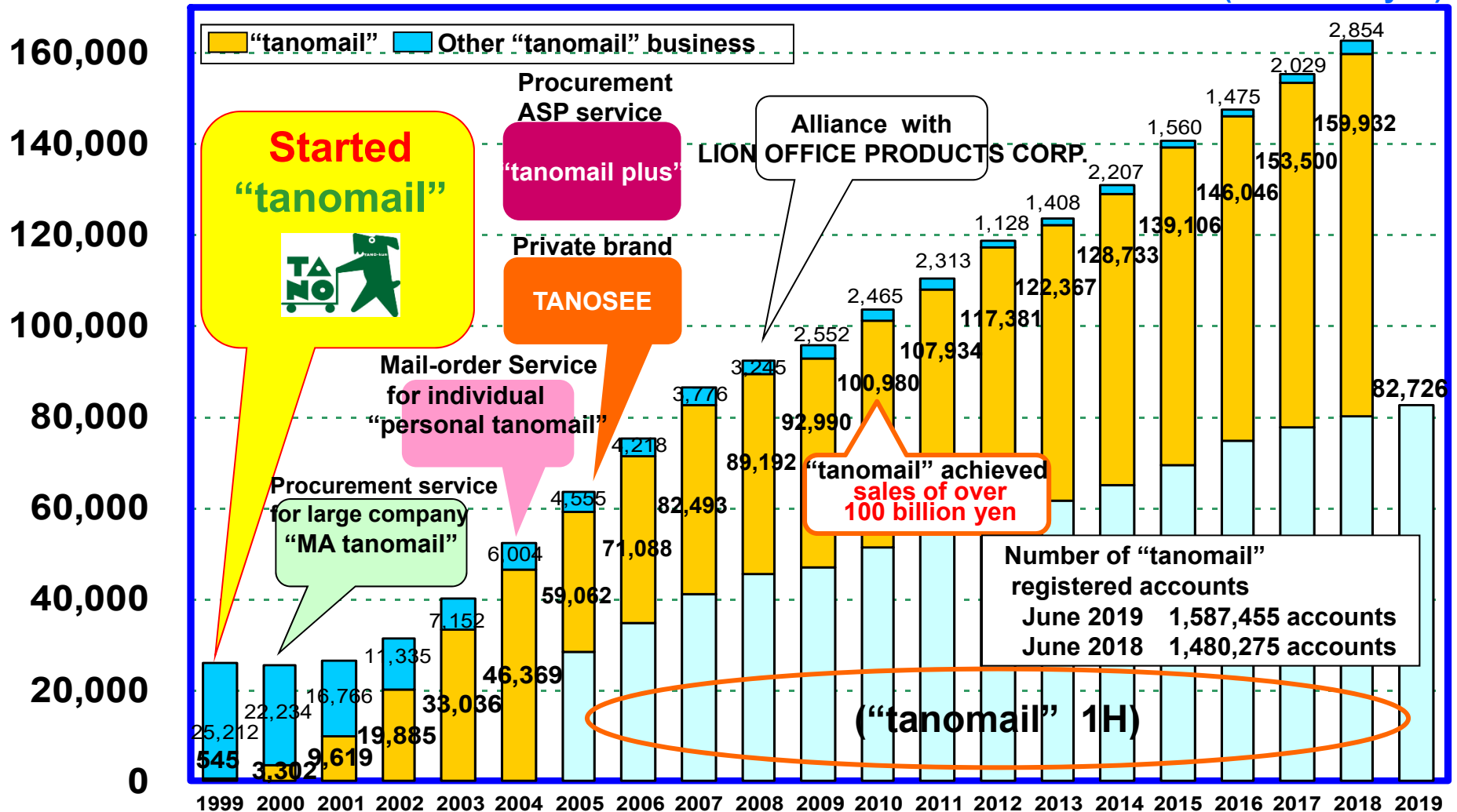


Quarterly Number of Copiers Sold

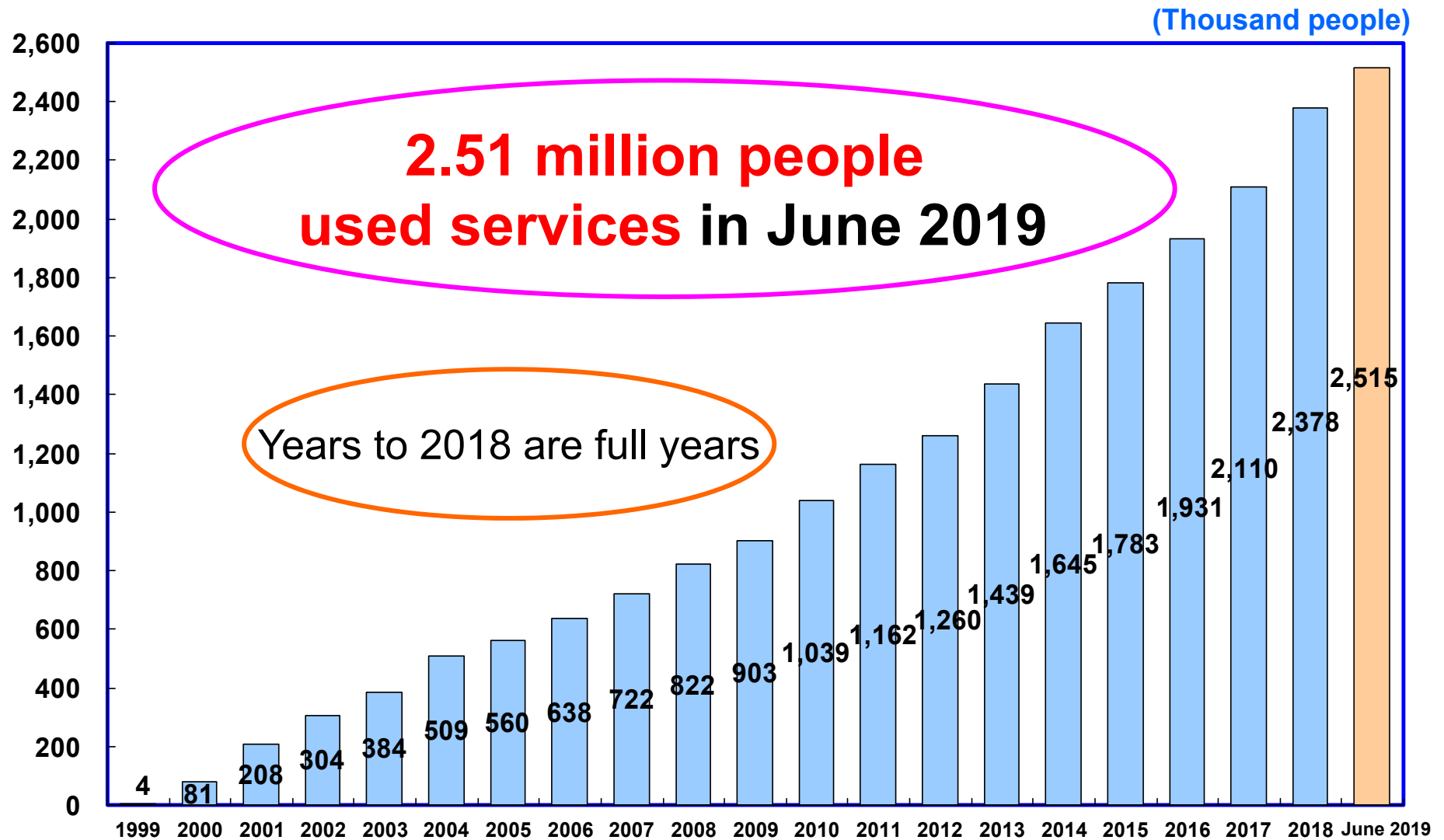


Annual sales transition of "tanomail"

(Millions of yen)



Number of Users of Main Web Services (ASP)



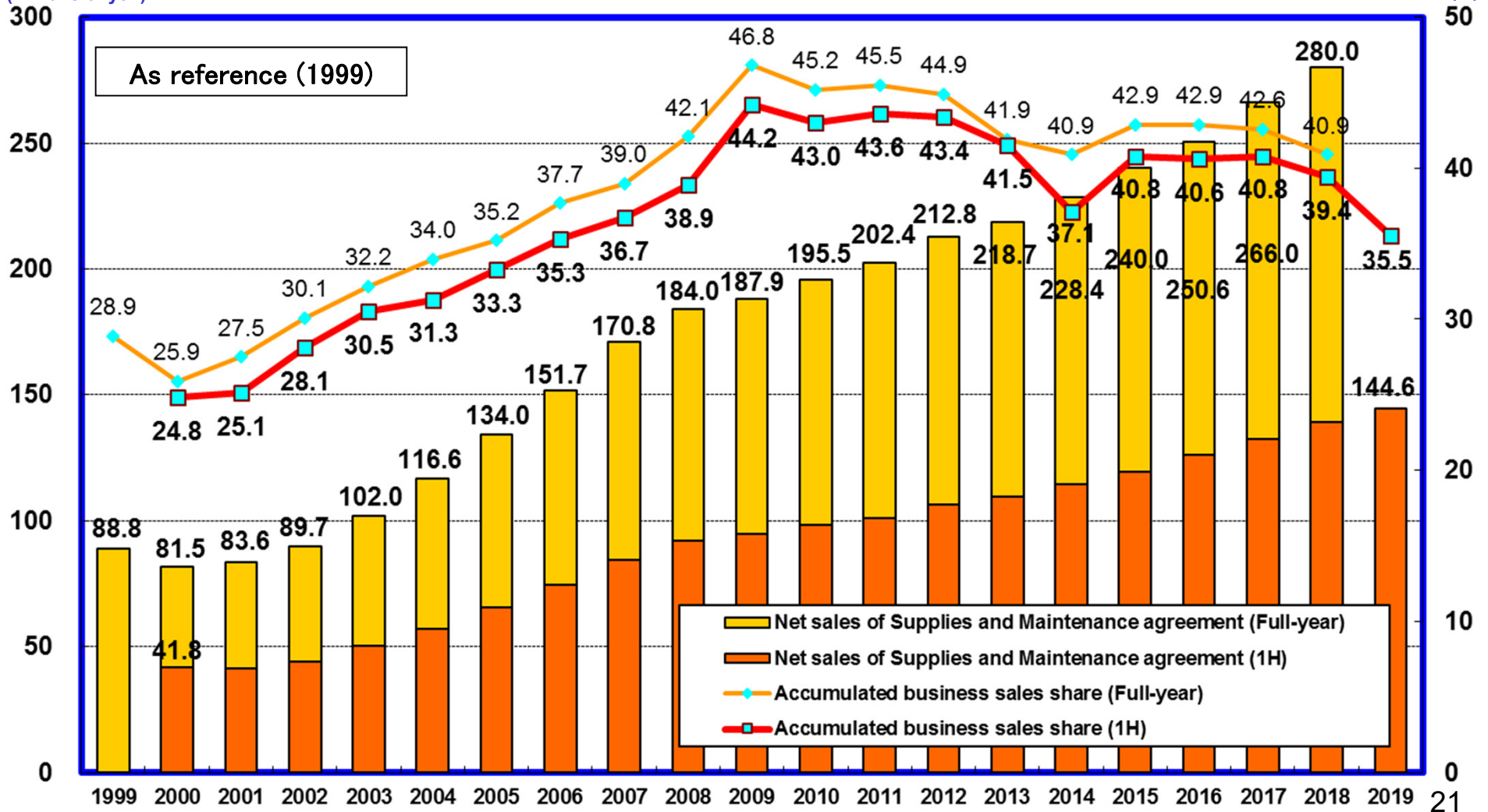
Growth of accumulated business

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 2019

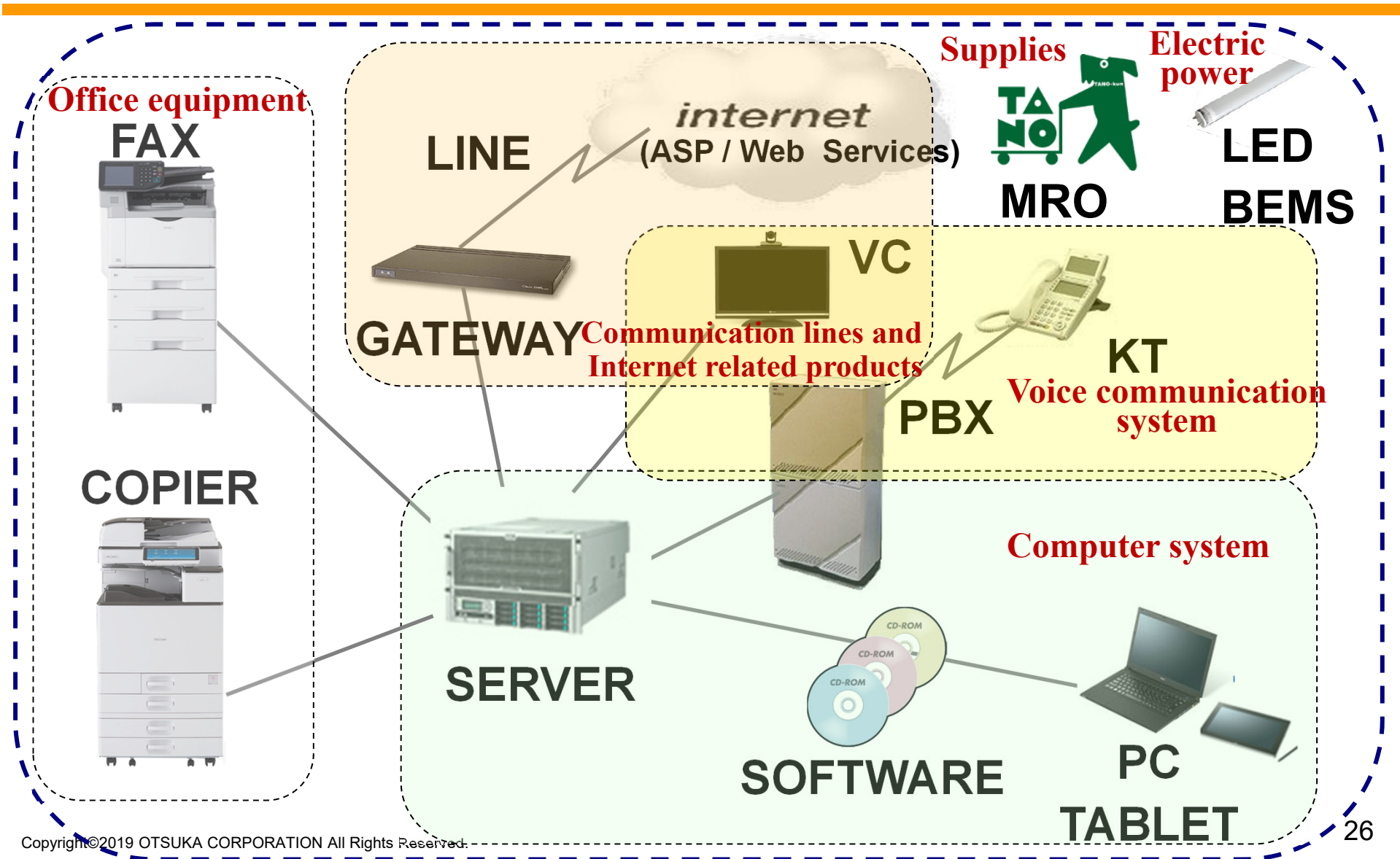
- **Continued moderate growth of the Japanese economy**
- **Demand for aggressive IT investment, raising productivity and cost reductions**
- **Demand for responding to labor shortages and for labor-savings**
- **Market expansion in new domains such as AI and IoT**
- **Office “2020 Problem”**
- **Strong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

Policies and Measures in the Second Half of 2019

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

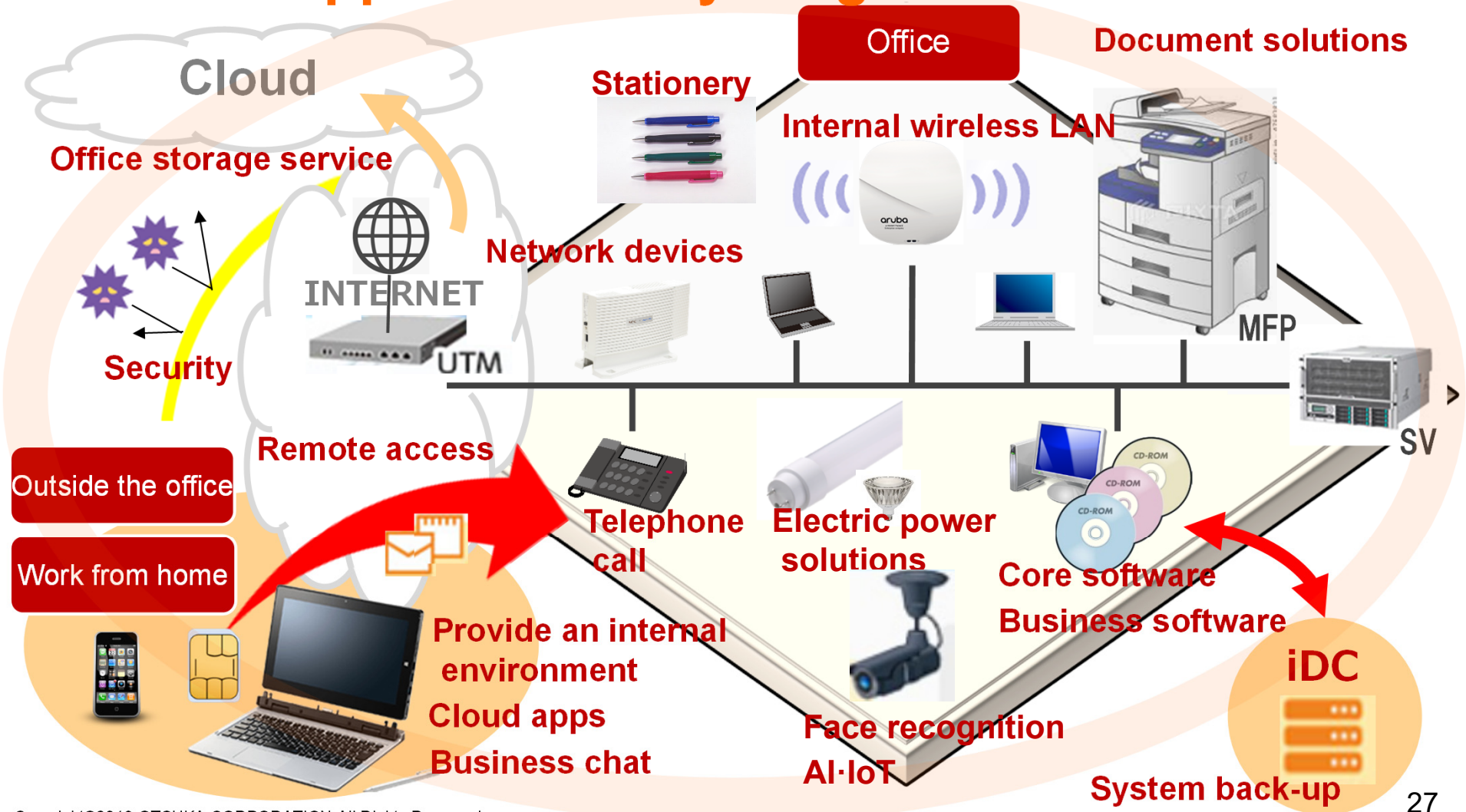
- **Further deepen business management led by local area sales groups**
- **“OTSUKA CORPORATION for the entire office”**
- **Utilize AI internally and provide to customers**
- **Strengthen solution proposals for the office
“2020 Problem”**

OTSUKA CORPORATION for the Entire Office



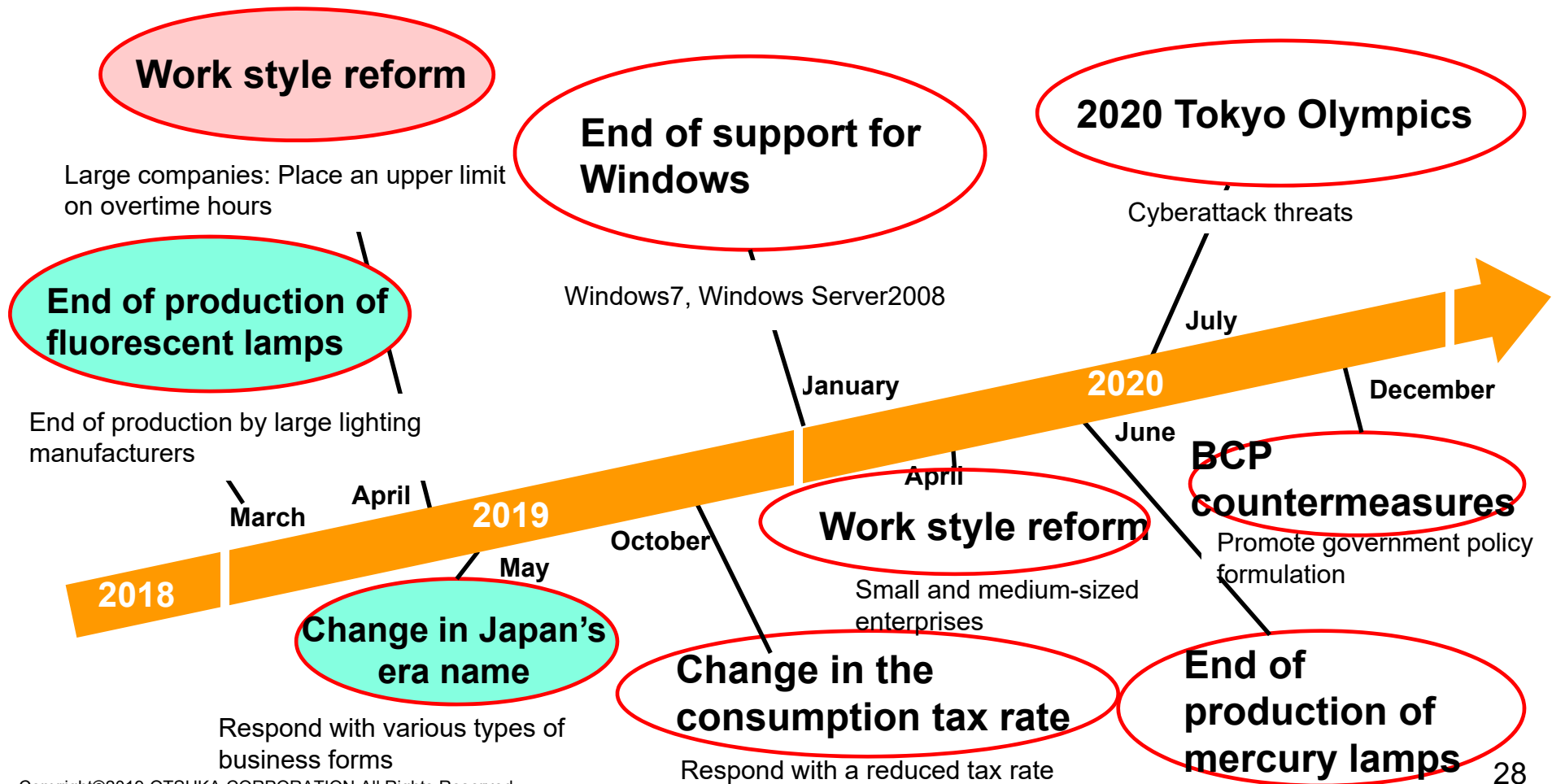
Leave It to Us for the Entire Office

Support for everything

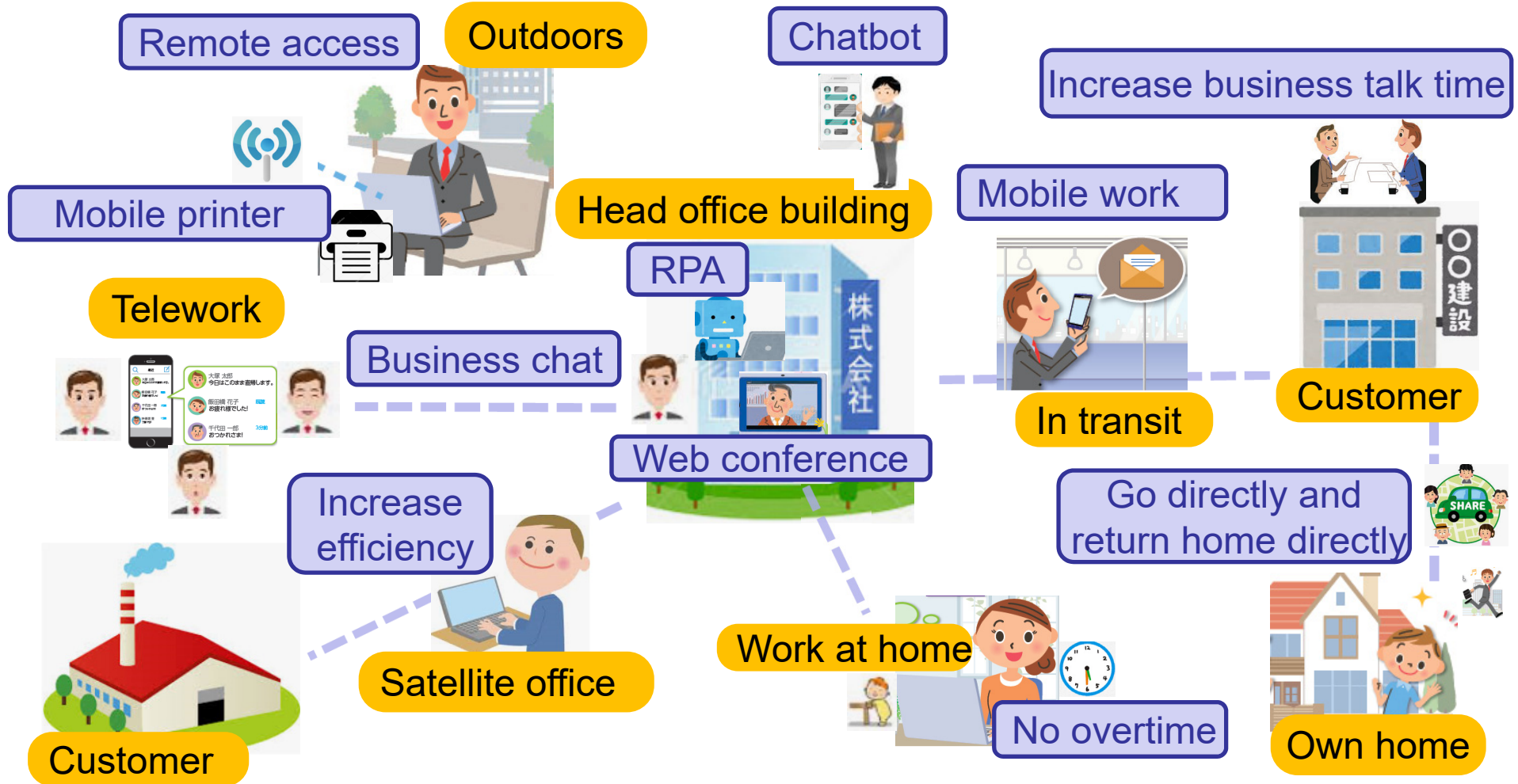


Office 2020 Problem

“Many troubles” happen to customers

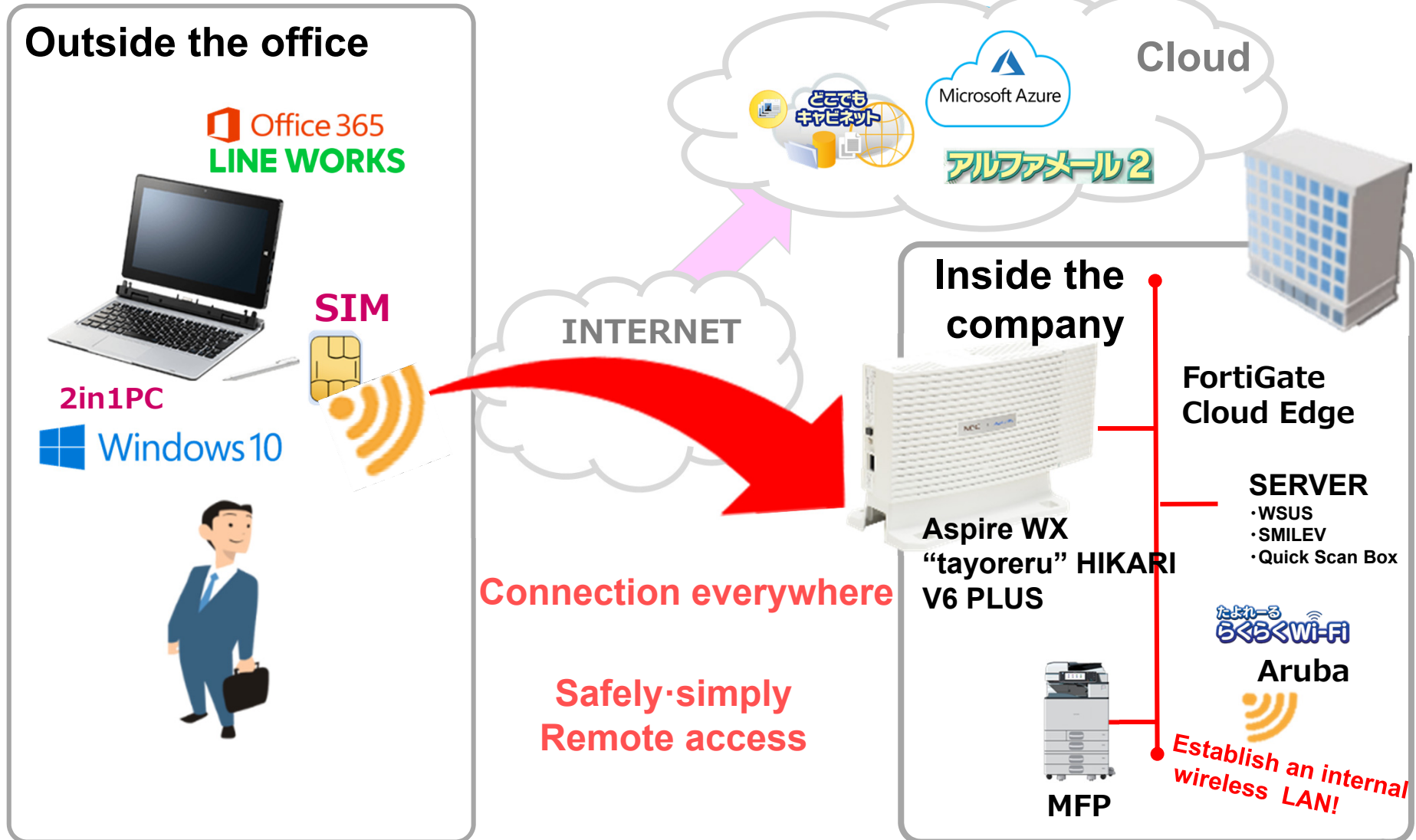


Initiatives for Work Style Reform



We will propose our own company usage examples to customers.

Work Style Reform

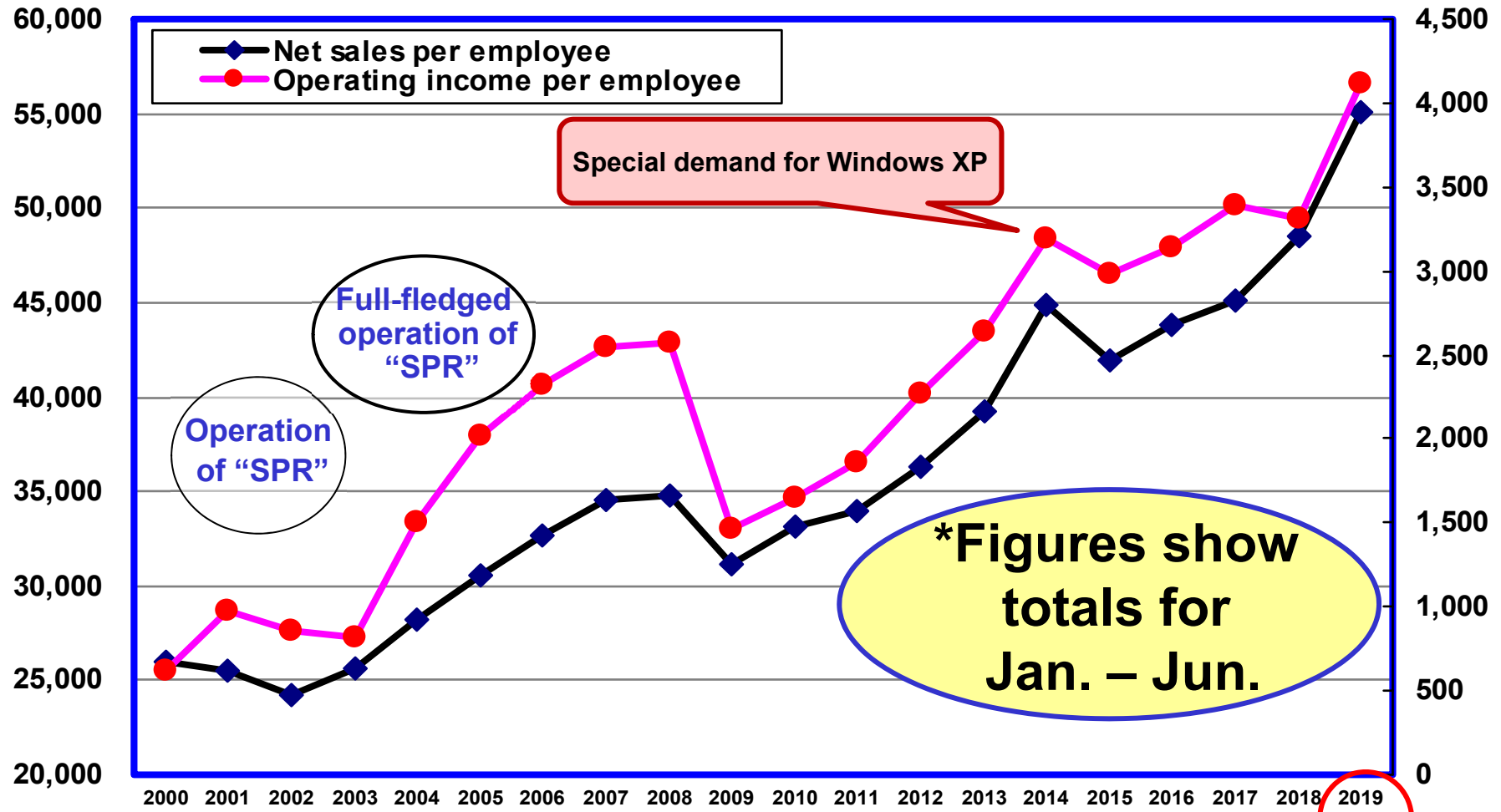


Non-Consolidated

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)



Number of employees
at the end of June

| | | | | | | | | | | | | | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| 6,507 | 6,493 | 6,490 | 6,405 | 6,443 | 6,433 | 6,443 | 6,659 | 6,809 | 6,897 | 6,897 | 6,821 | 6,762 | 6,733 | 6,878 | 6,965 | 7,089 | 7,193 | 7,273 | 7,390 |

Business Card Management System



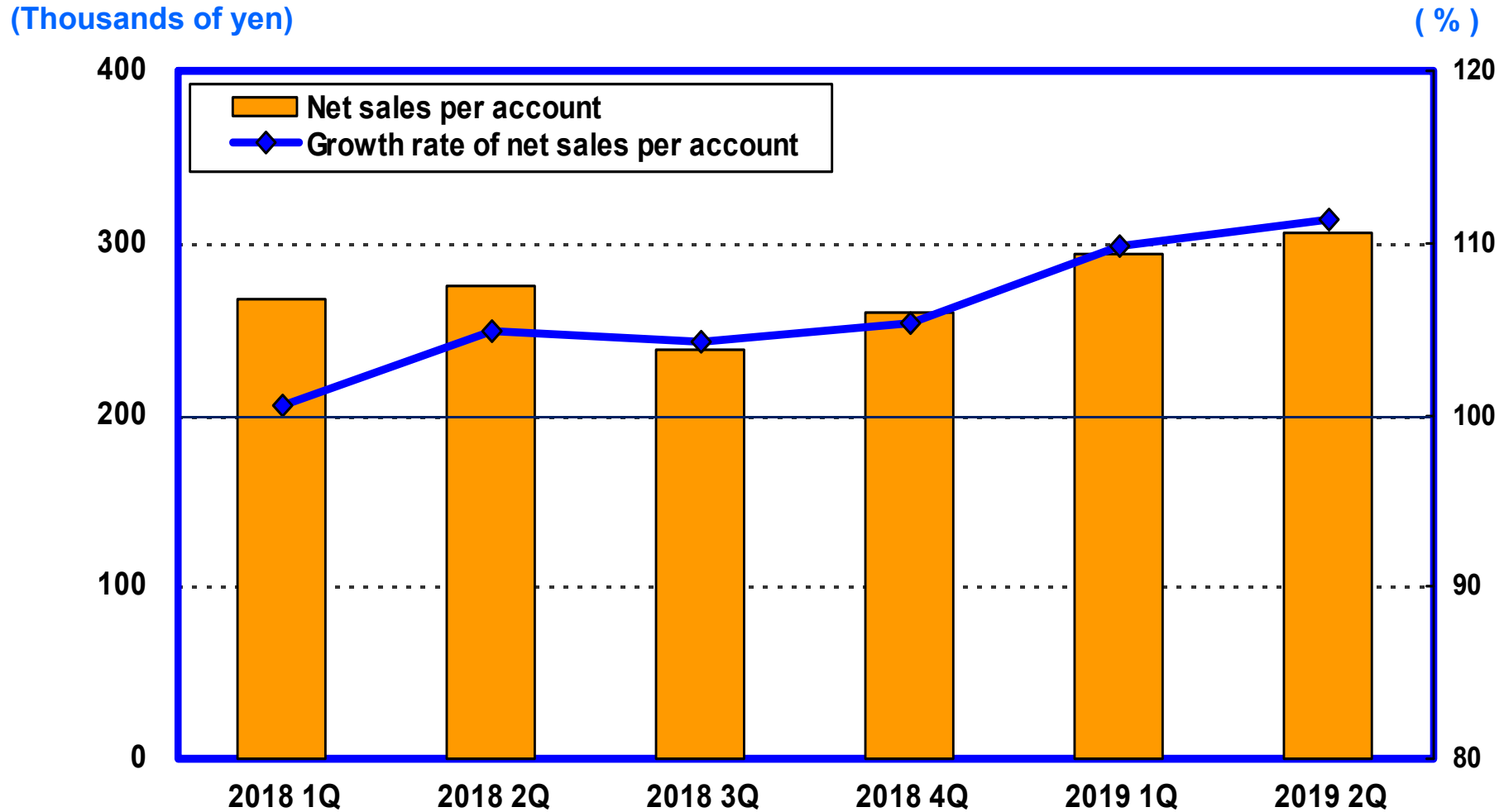
Utilize for detailed customer responses to please customers

Digital marketing

Personalized page

AI

Trends in net sales per account

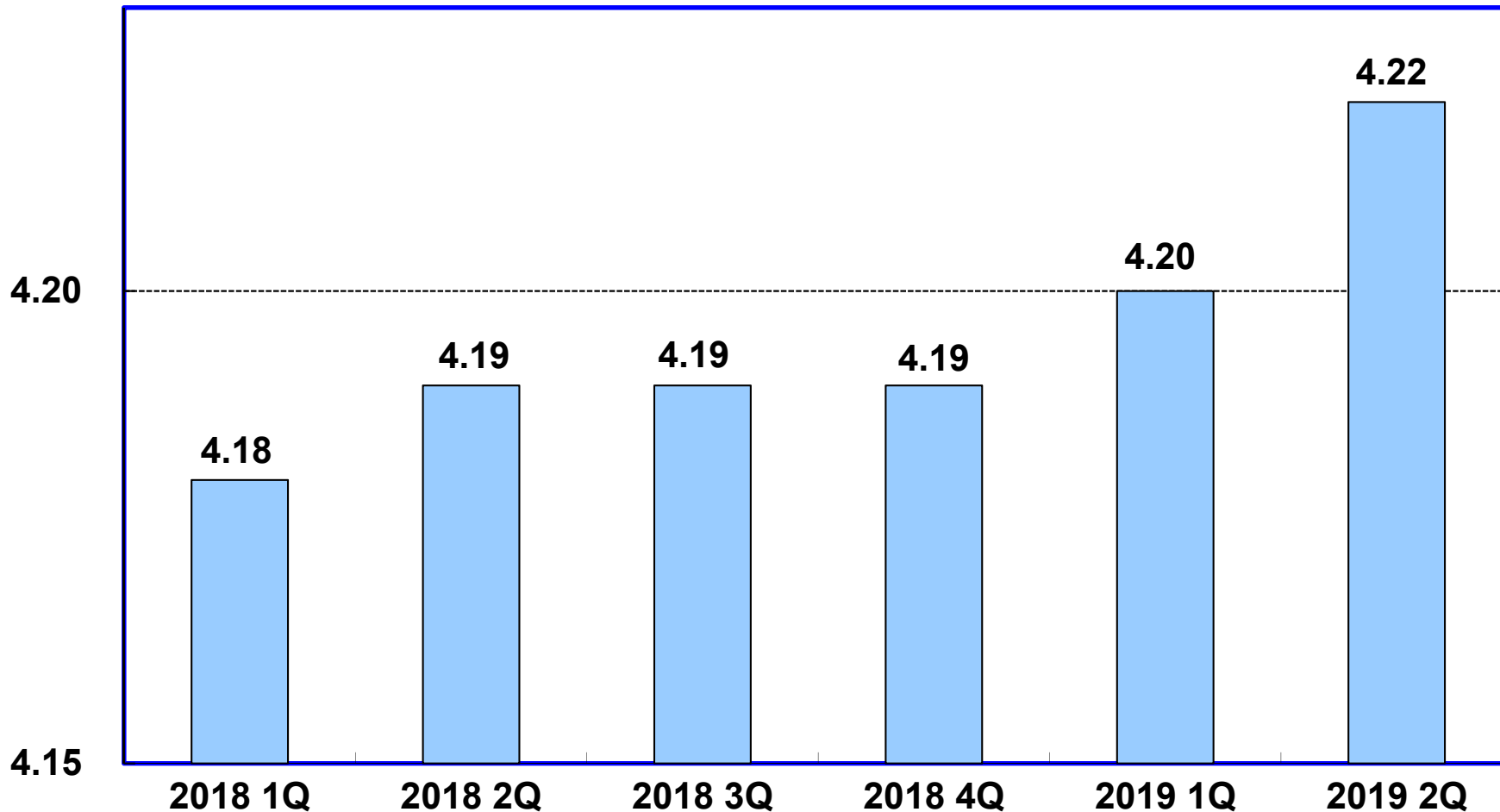


Non-Consolidated

Trends in the number of products per one company

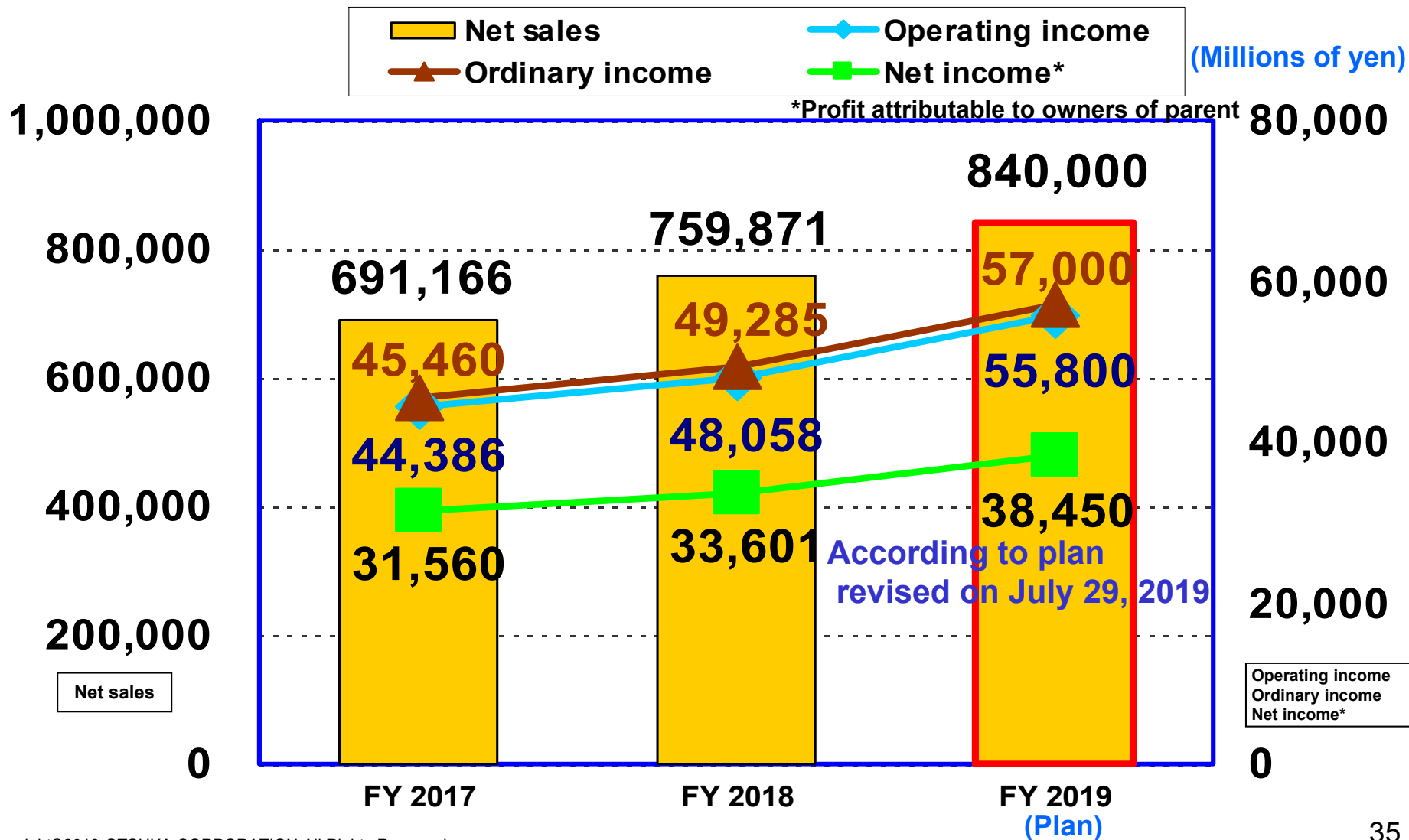
(Products)

(Copier customers)



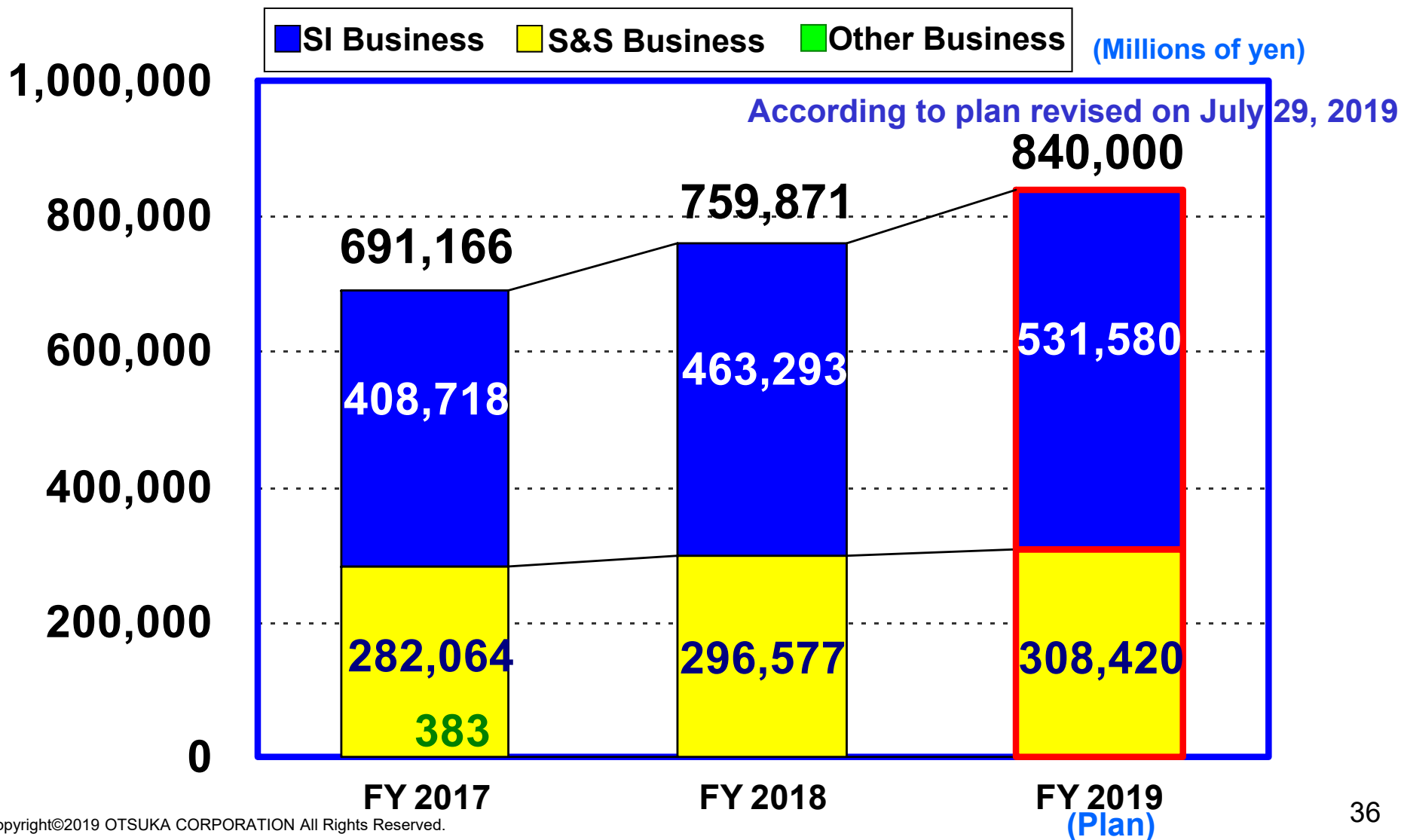
Consolidated

Plans of Net sales and profit



Consolidated

Plans of Net sales by segments





Cautionary statement

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