



Business Results

for the fiscal year ended December 31, 2019

February 3, 2020

OTSUKA CORPORATION

Yuji Otsuka, President

Summary of Business Results, January – December, 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	886,536	105.5%	+16.7%	802,200	106.0%	+17.1%
Operating profit	62,192	111.5%	+29.4%	55,632	111.9%	+30.8%
Ordinary profit	63,706	111.8%	+29.3%	57,593	111.6%	+30.1%
Profit*	43,497	113.1%	+29.4%	39,952	112.5%	+30.2%

*Profit attributable to owners of parent

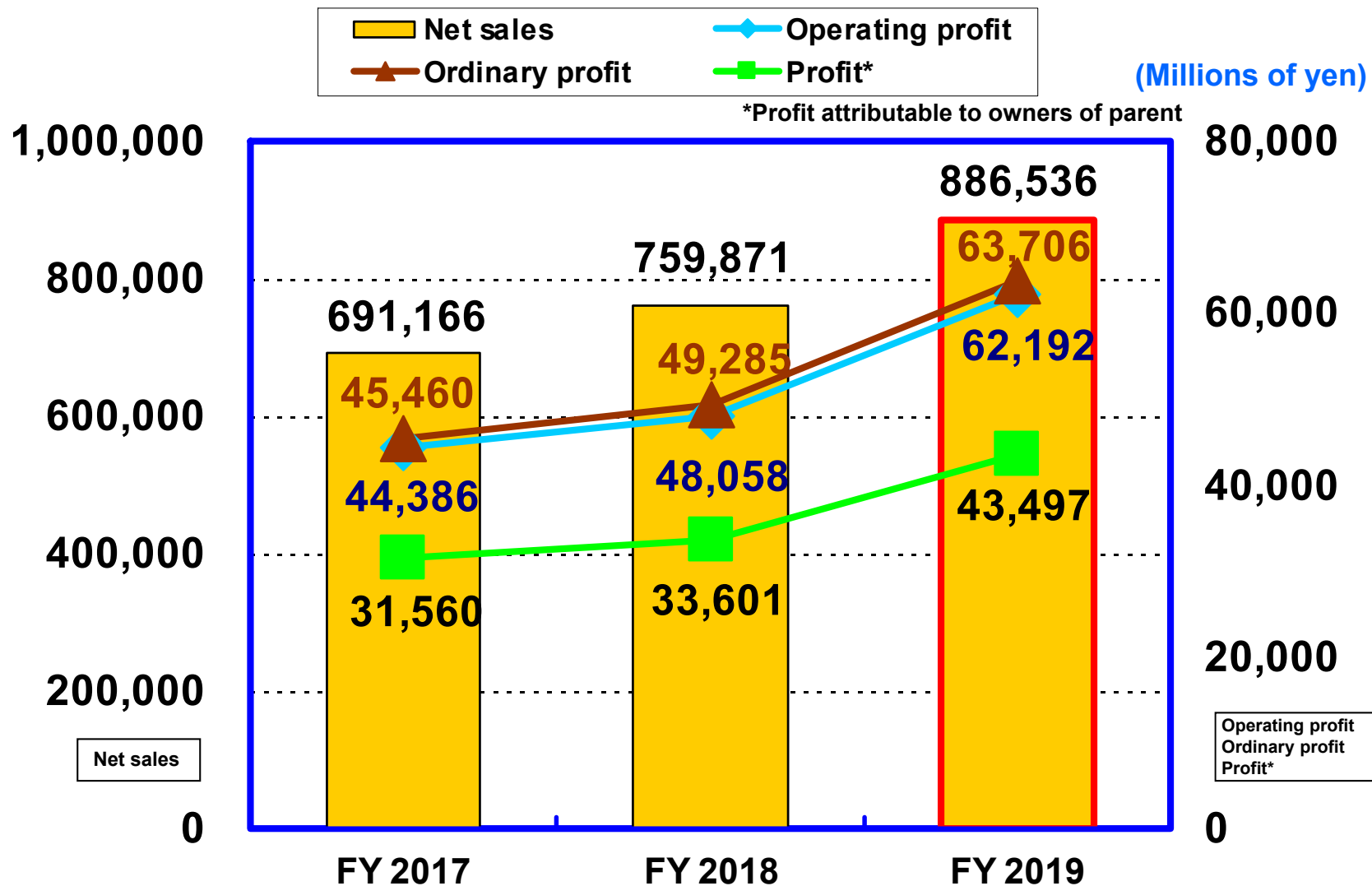
(Note) According to plan revised on July 29, 2019

Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	FY 2019 Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	444	10,274
	Net World Corporation	Sales and technology support for network-related equipment	430	123,217
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	312	5,103
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	454	8,764

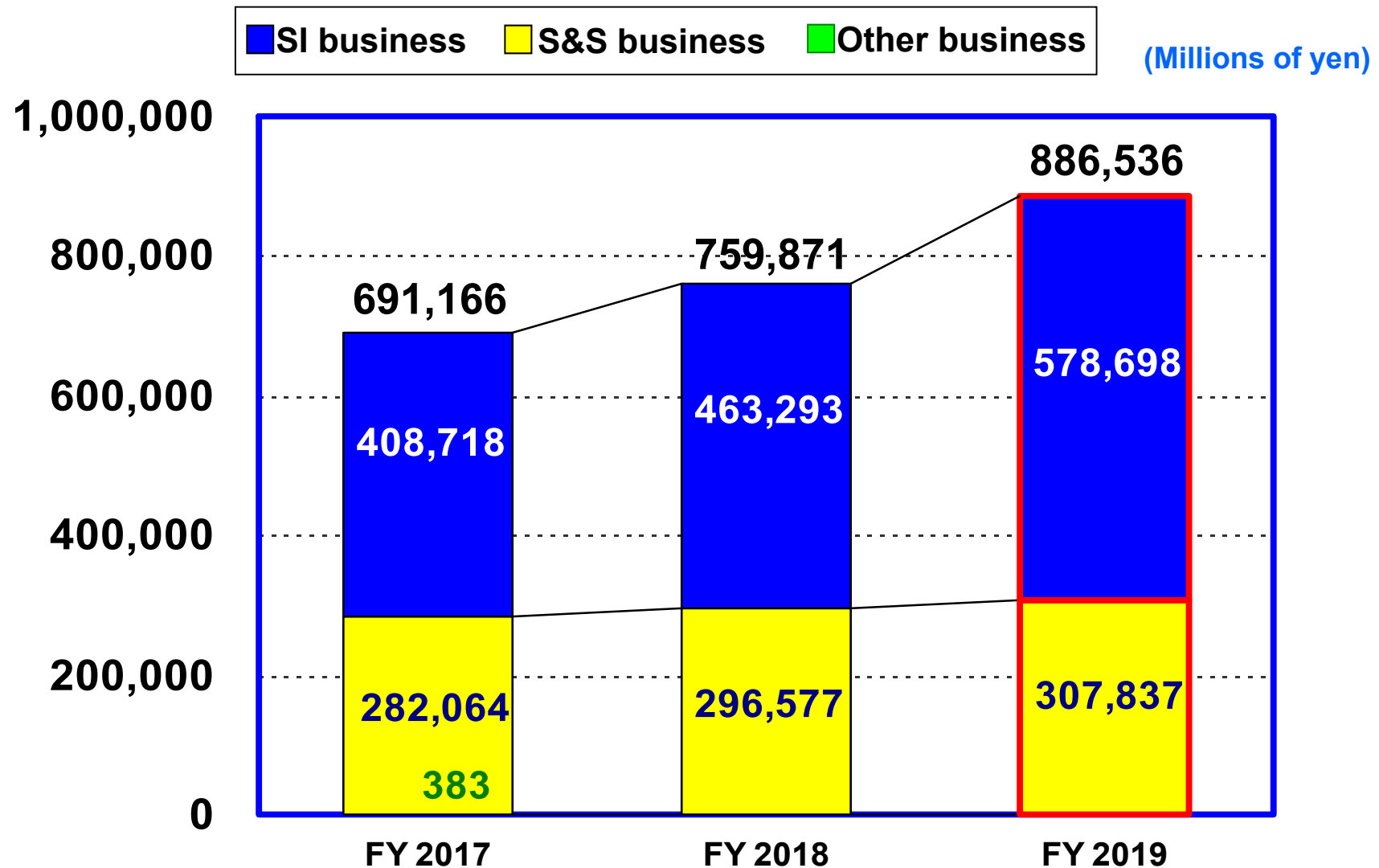
Consolidated

Net sales and Profits

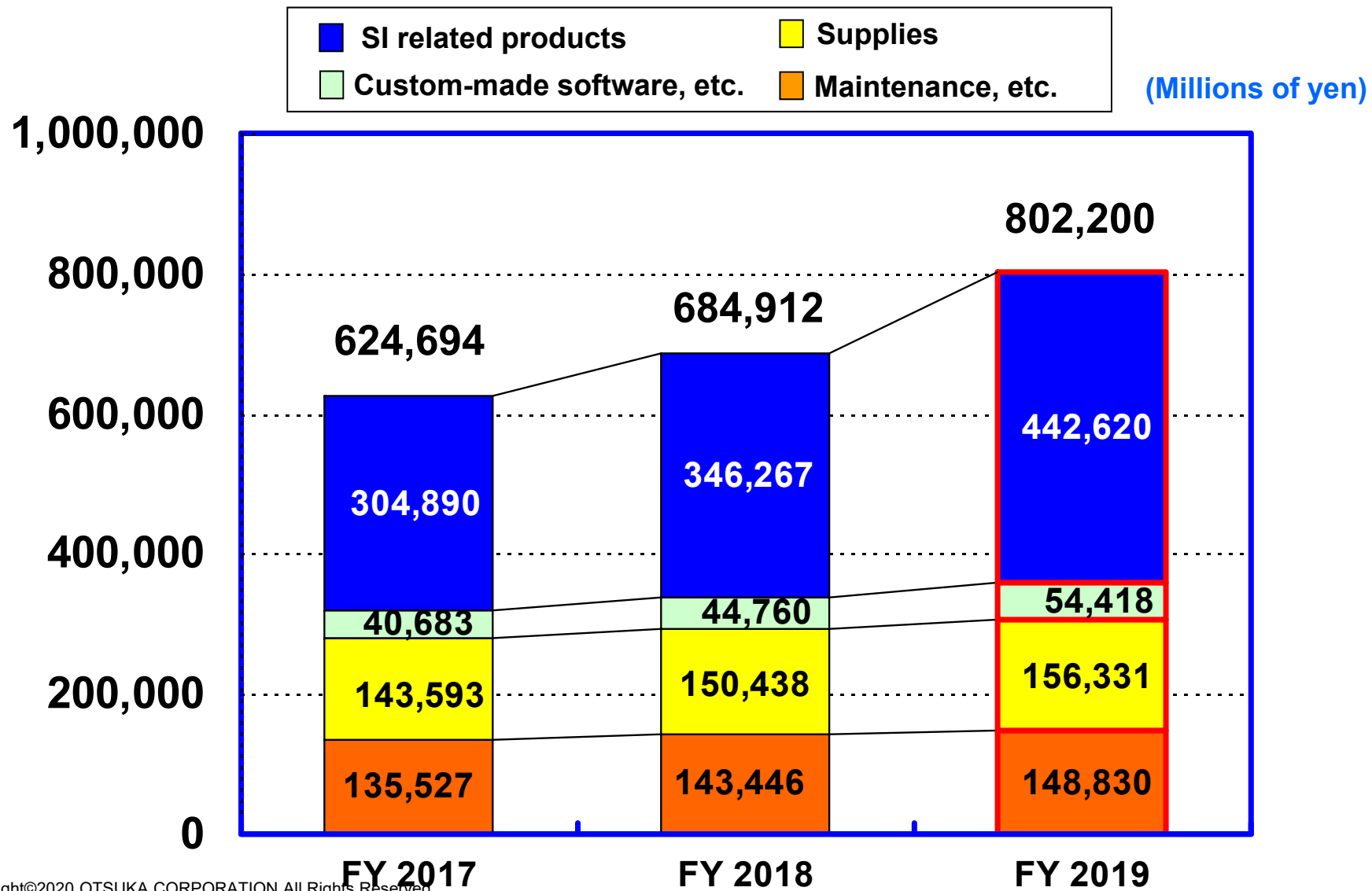


Consolidated

Net sales by segments

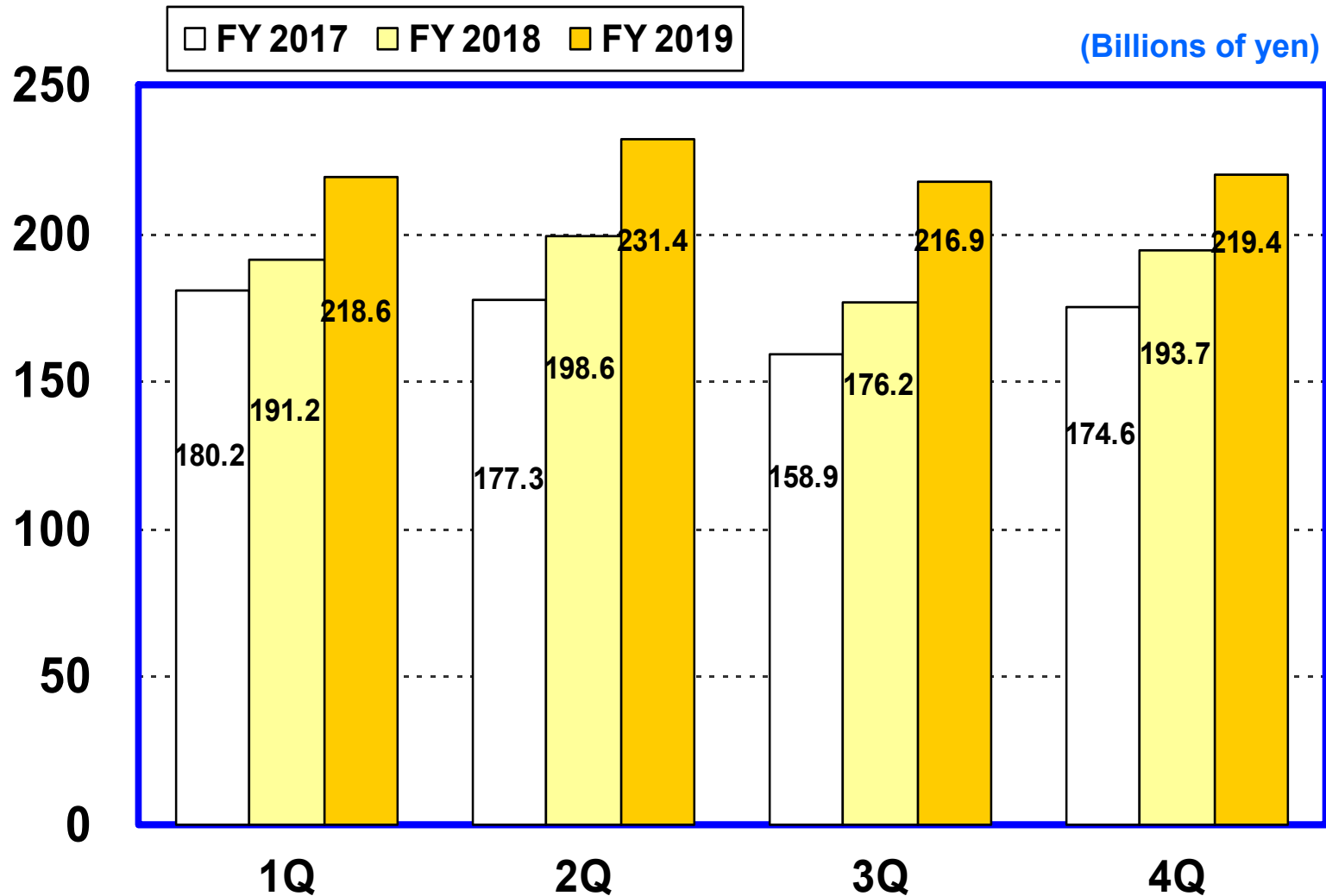


Net sales by 4 segments



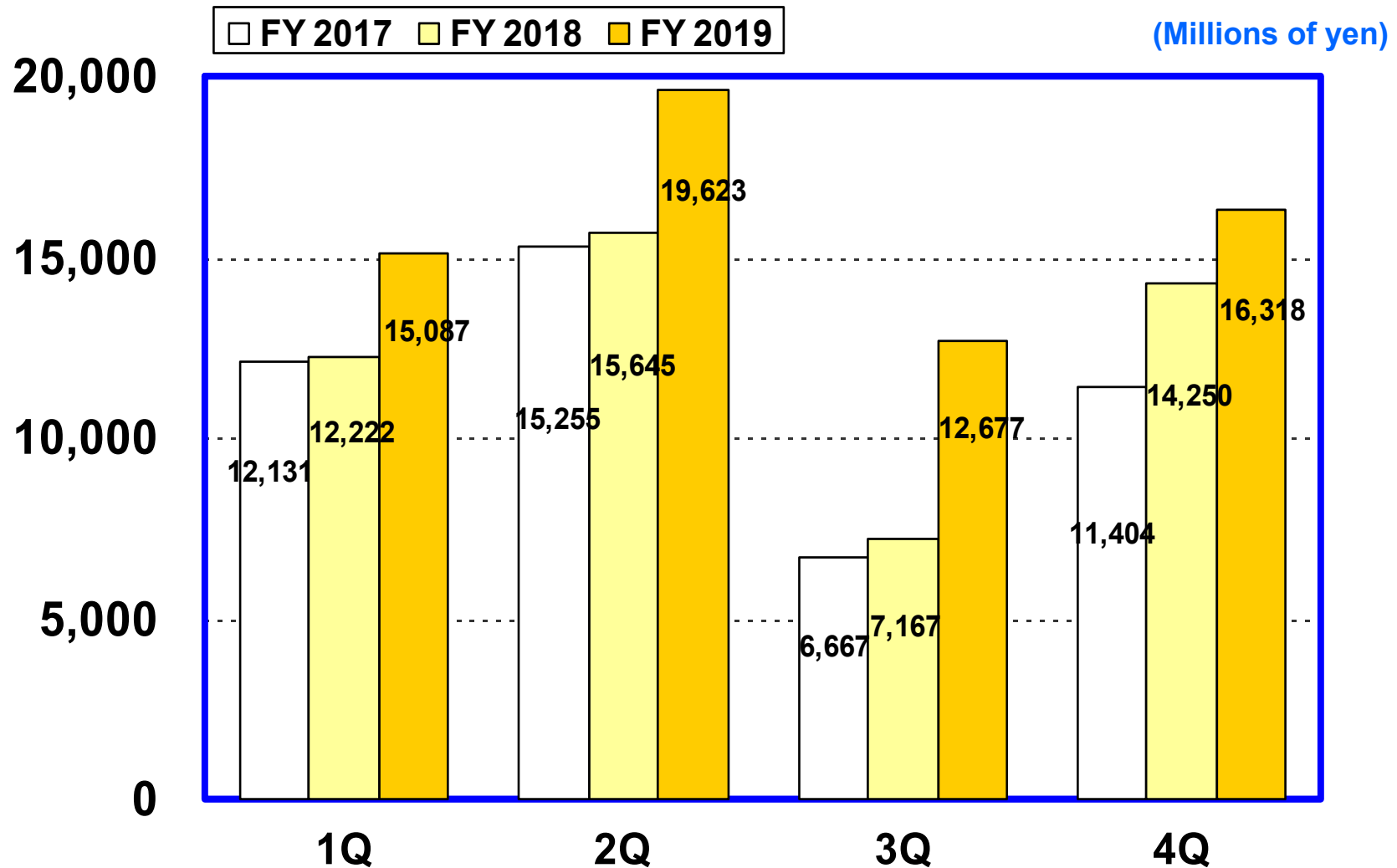
Consolidated

Quarterly change of Net sales



Consolidated

Quarterly change of Ordinary profit



Summary of Business Results, October – December, 2019

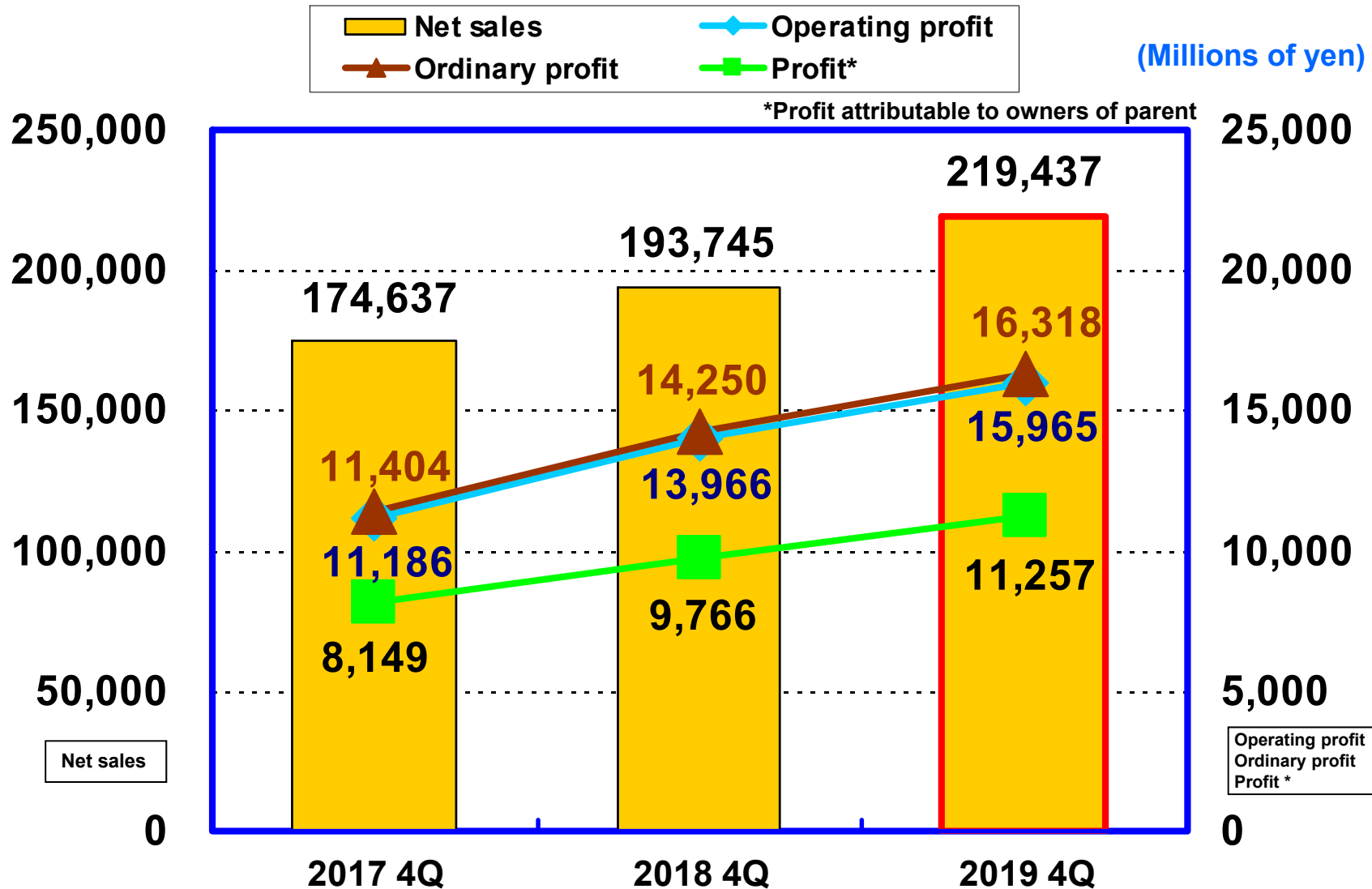
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	219,437	+13.3%	200,088	+14.8%
Operating profit	15,965	+14.3%	14,356	+14.4%
Ordinary profit	16,318	+14.5%	14,561	+14.1%
Profit*	11,257	+15.3%	10,095	+15.0%

*Profit attributable to owners of parent

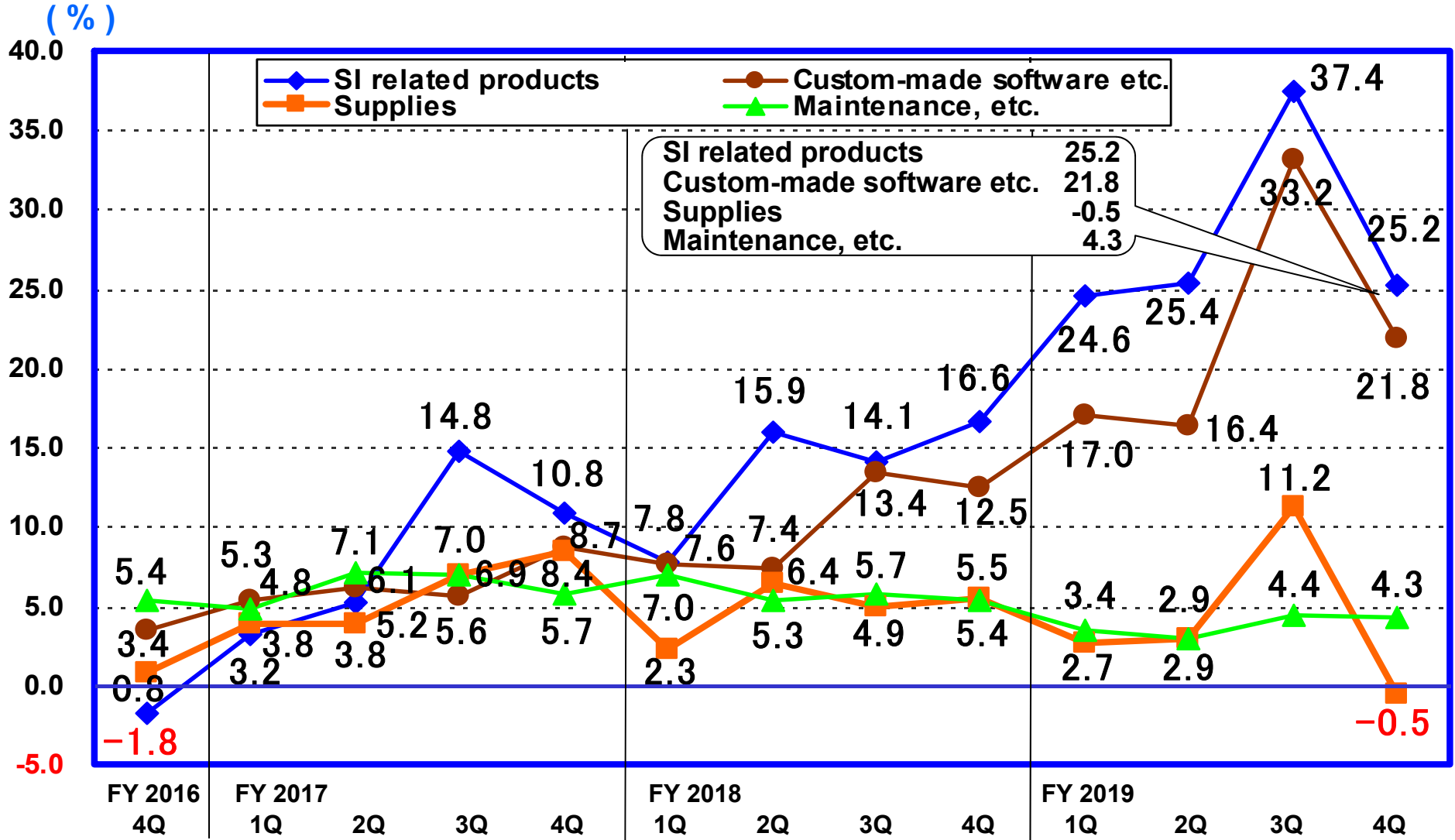
Consolidated

Net sales and Profits, October – December



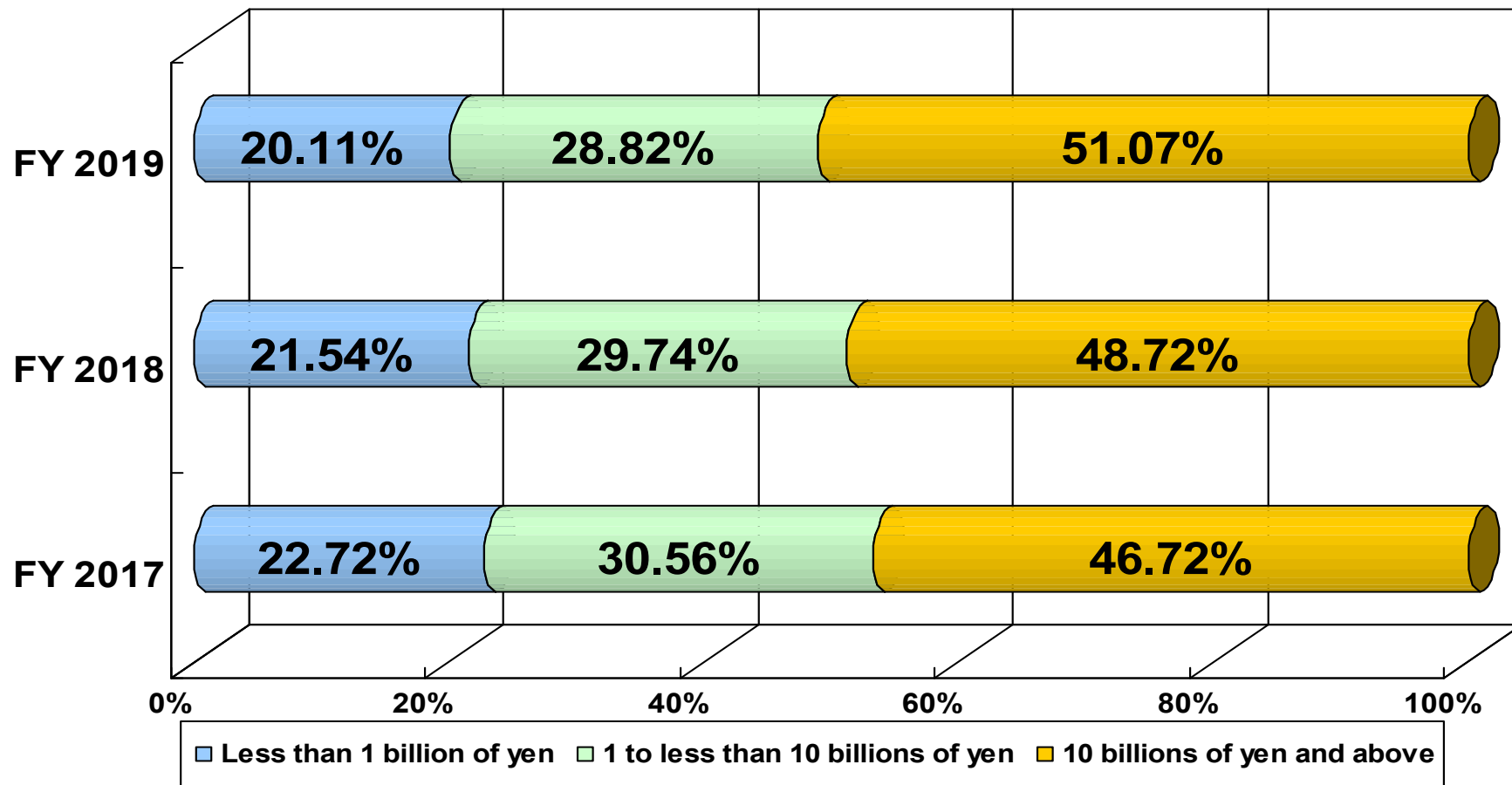
Non-Consolidated

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



Non-Consolidated

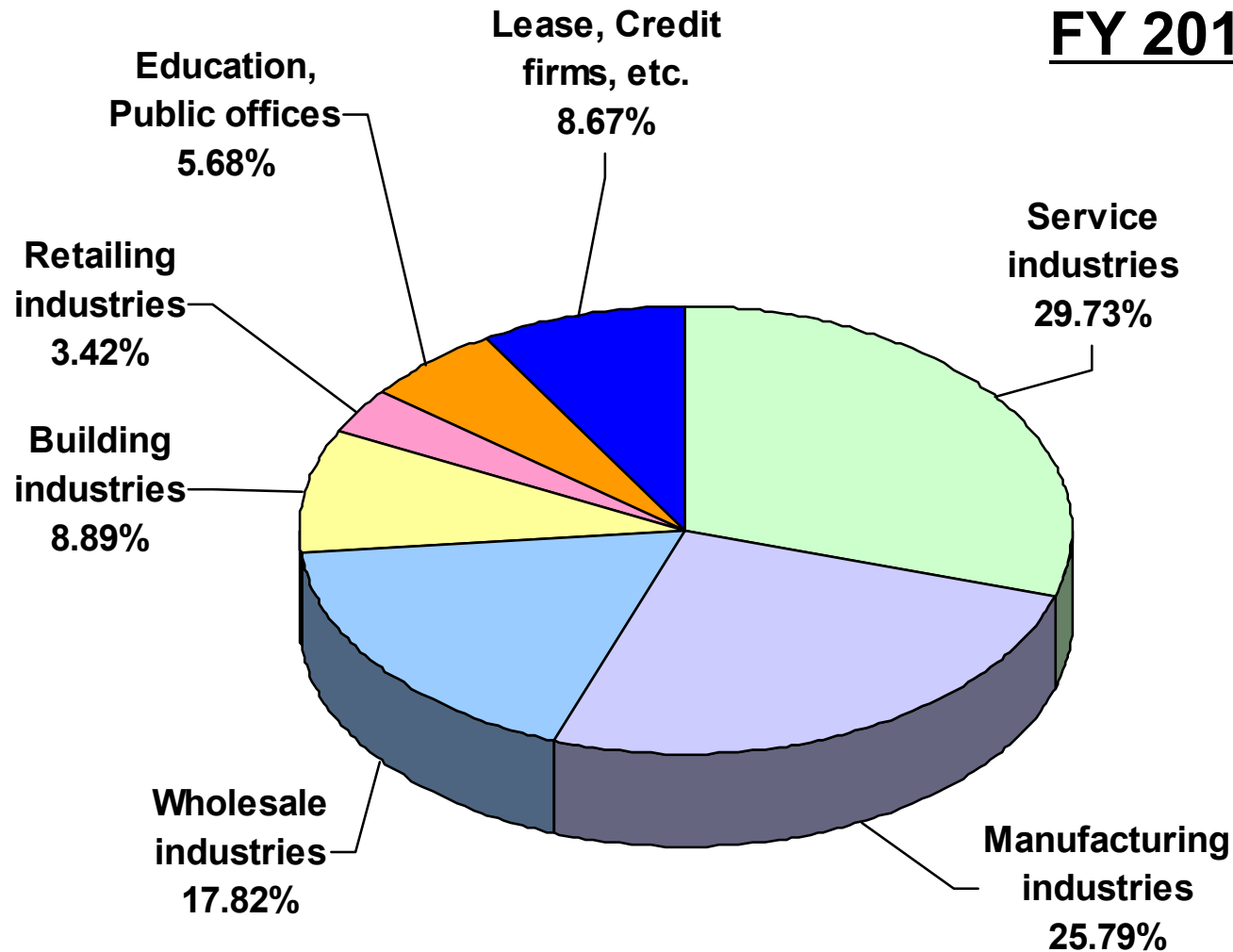
Net sales structure on customers' total annual business scale



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

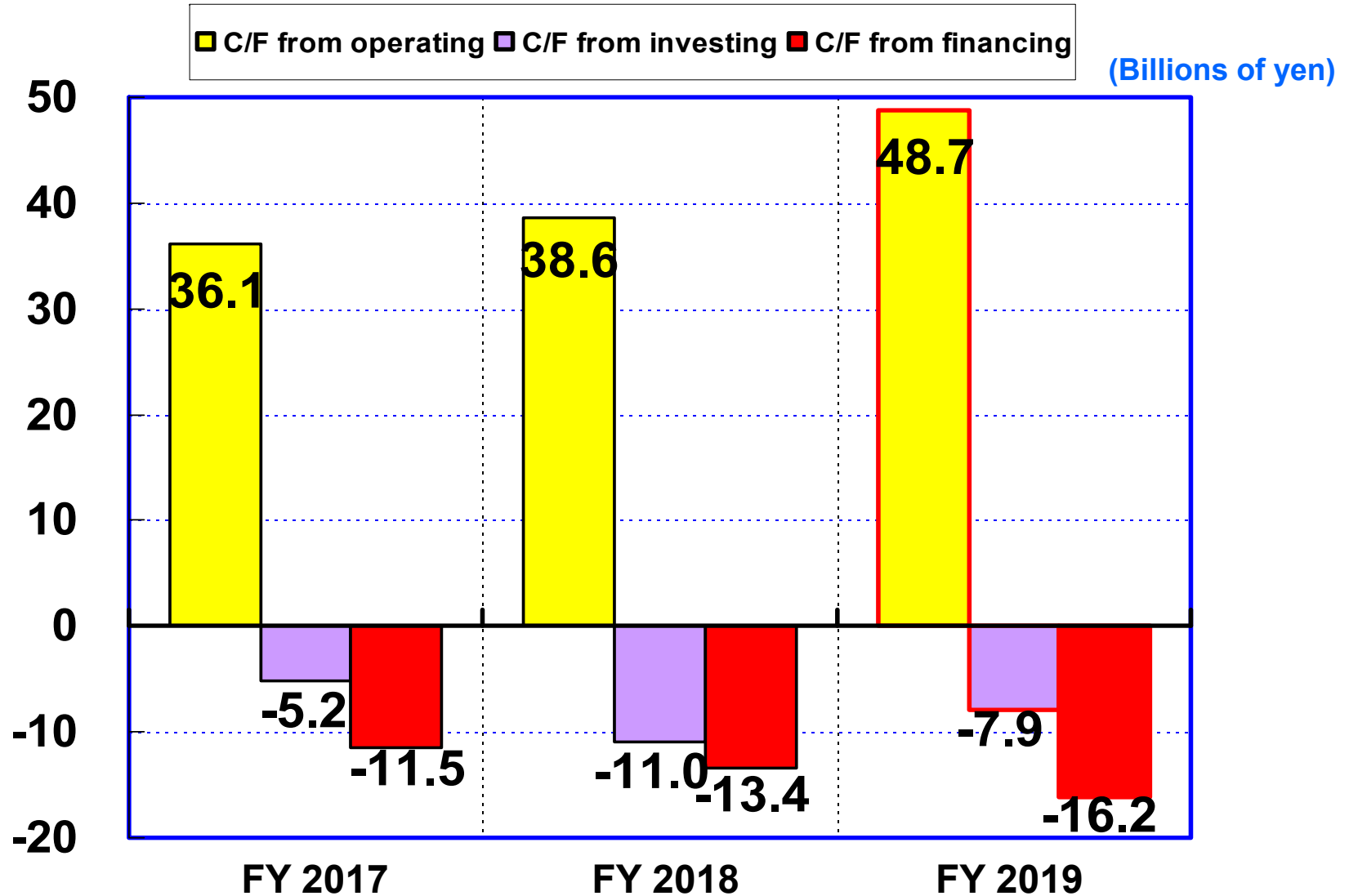
Sales breakdown by customers' type of industry

FY 2019



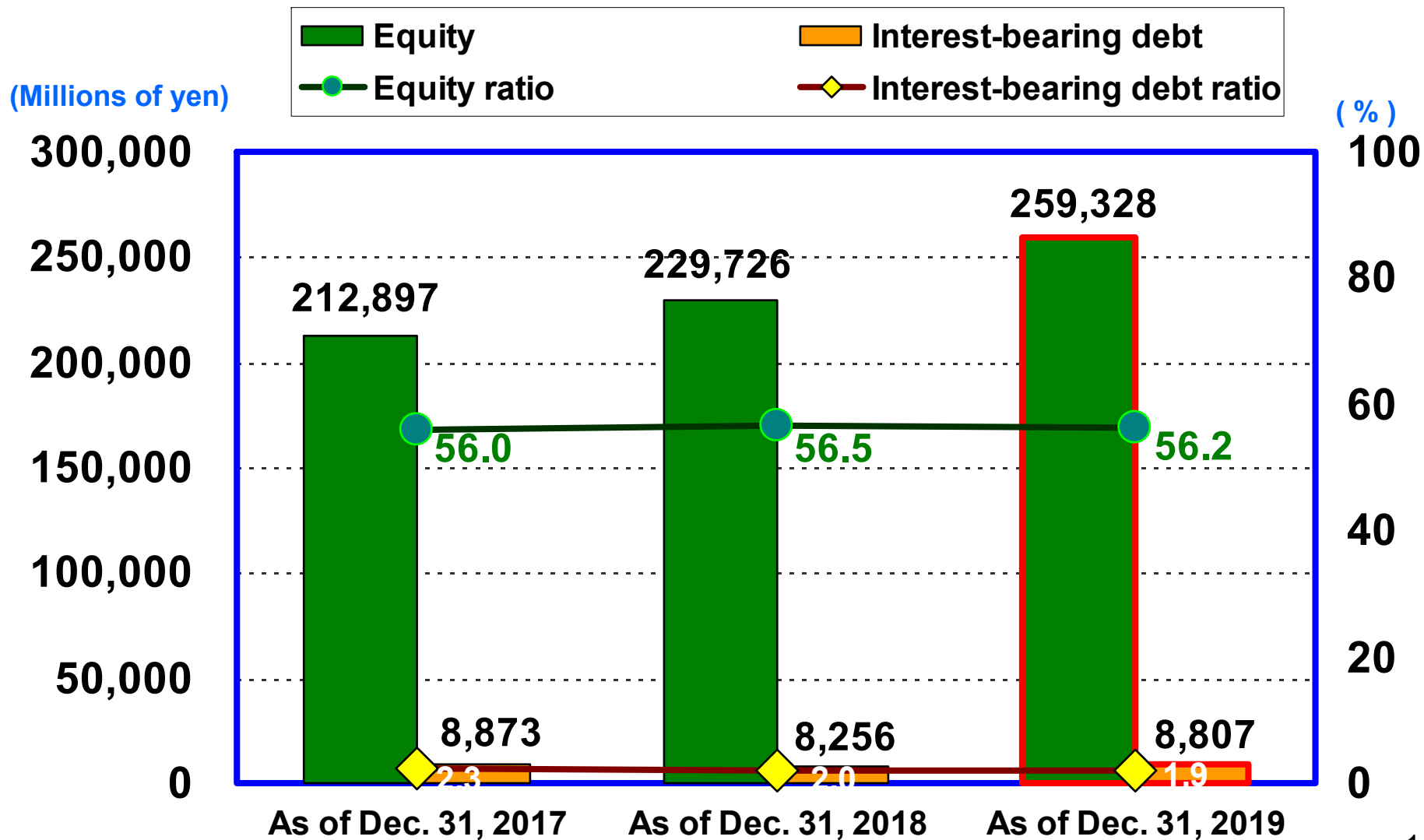
Consolidated

Cash flows



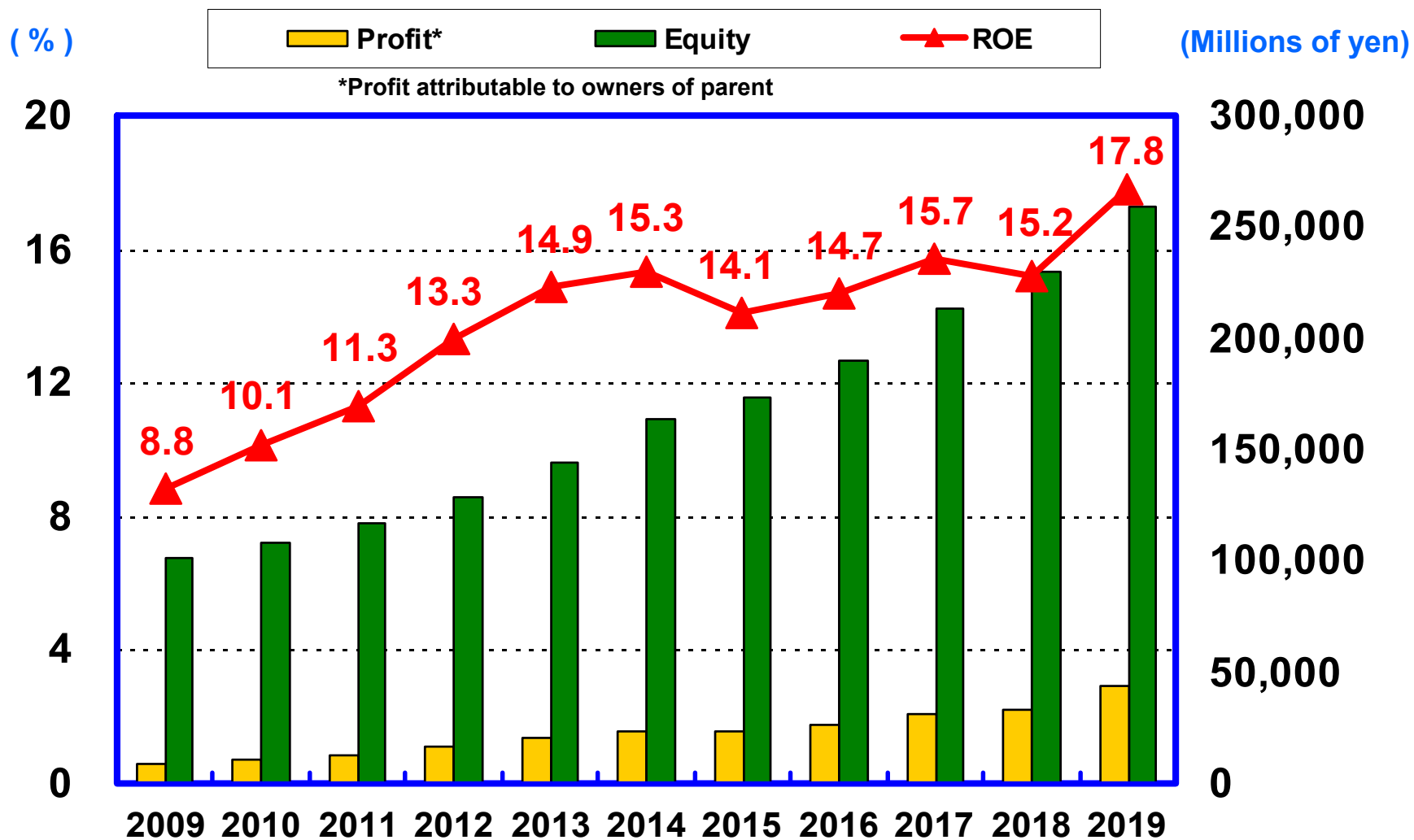
Consolidated

Equity and Interest-bearing debt



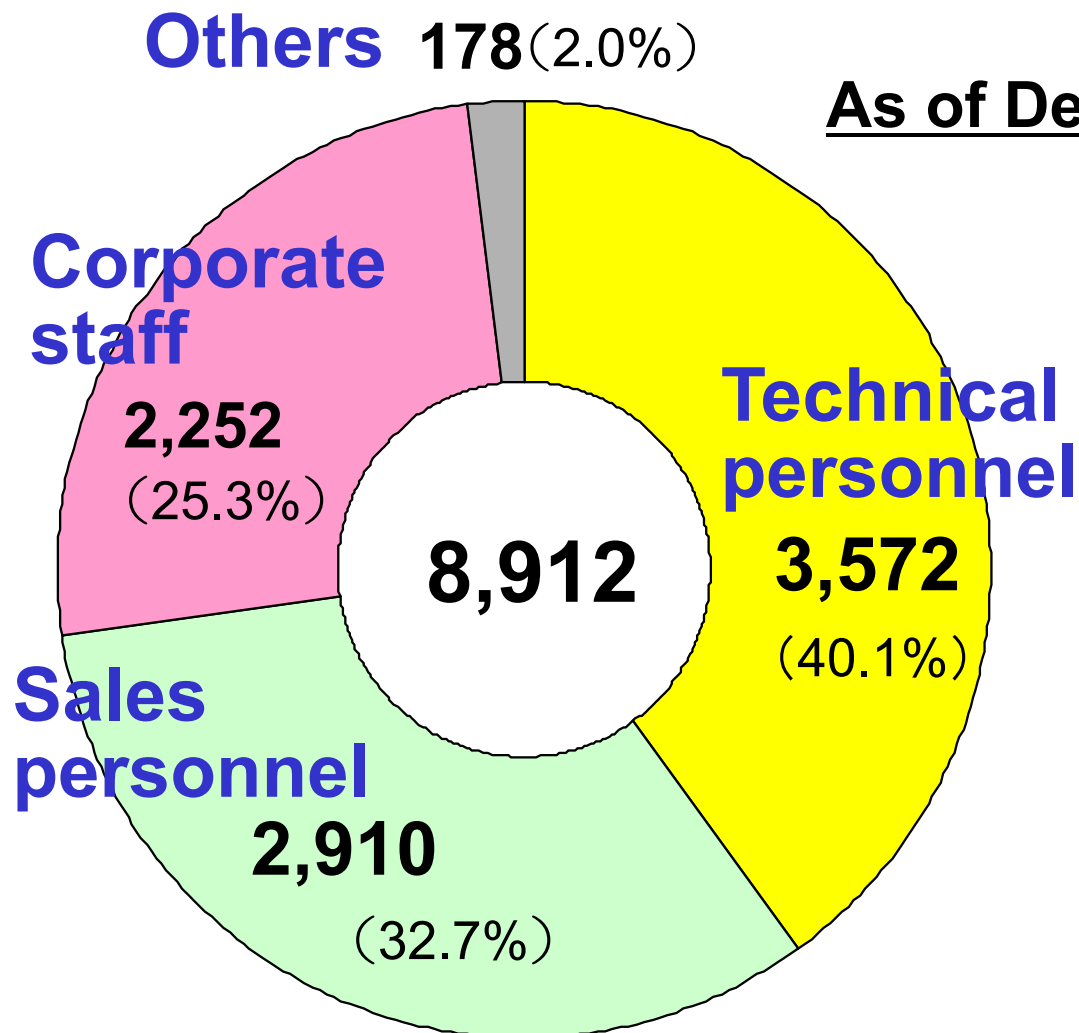
Consolidated

ROE



Consolidated

Personnel organization (regular employees)



As of Dec. 31, 2019



Key strategic business

<Amount of Sales>

(Millions of yen)

	2017 Jan. – Dec.	2018 Jan. – Dec.		2019 Jan. – Dec.			2019 Oct. – Dec.		
	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”	153,500	159,932	+4.2%	166,649	+6,717	+4.2%	41,605	-376	-0.9%
SMILE	10,817	11,715	+8.3%	13,241	+1,526	+13.0%	3,348	+334	+11.1%
ODS	55,997	55,715	-0.5%	55,798	+82	+0.1%	13,538	-236	-1.7%
OSM	67,514	71,662	+6.1%	77,535	+5,872	+8.2%	19,145	+995	+5.5%

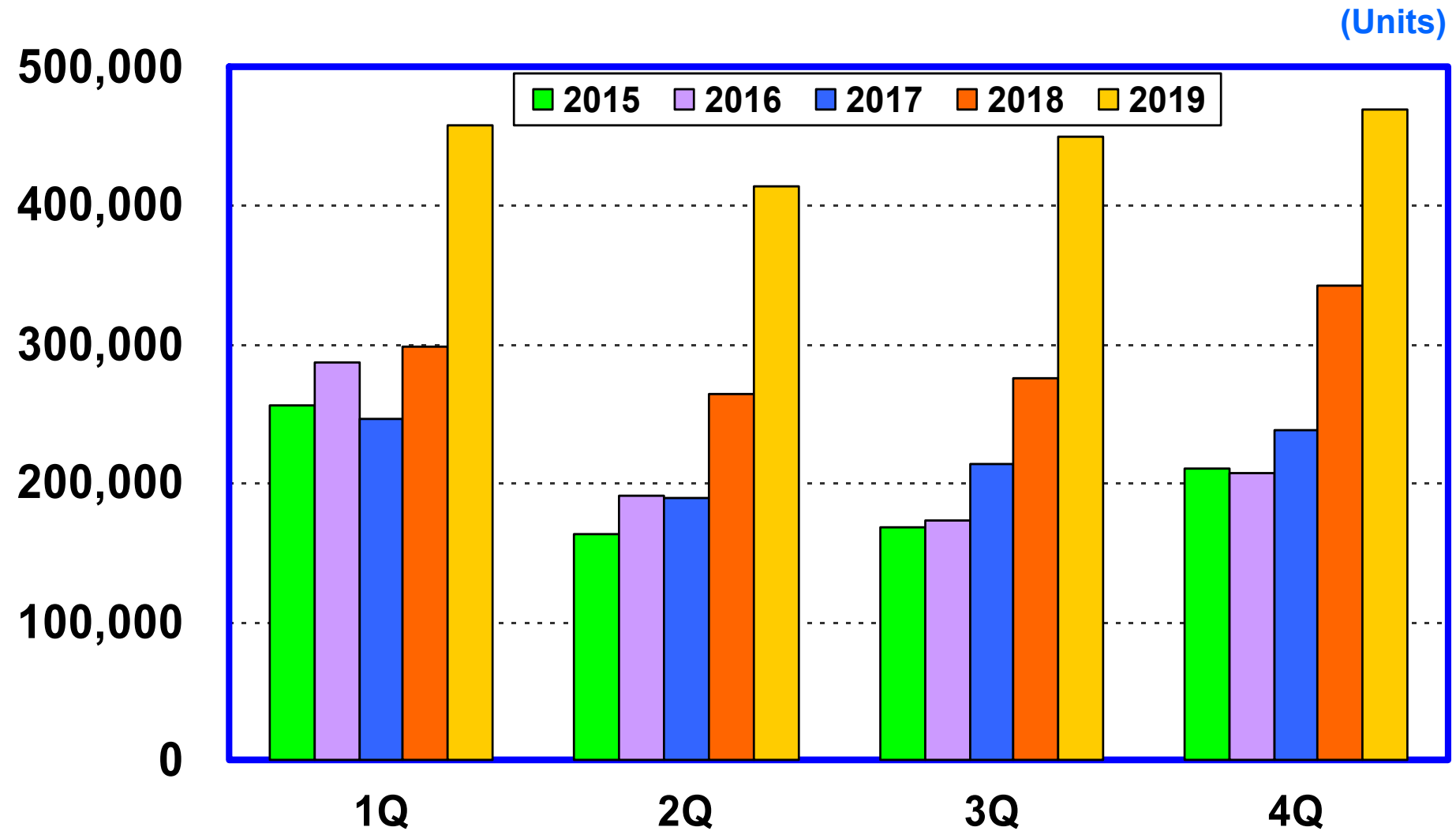
(ODS: Otsuka Document Solutions OSM: Otsuka Security Management)

<As reference: Number of Sales>

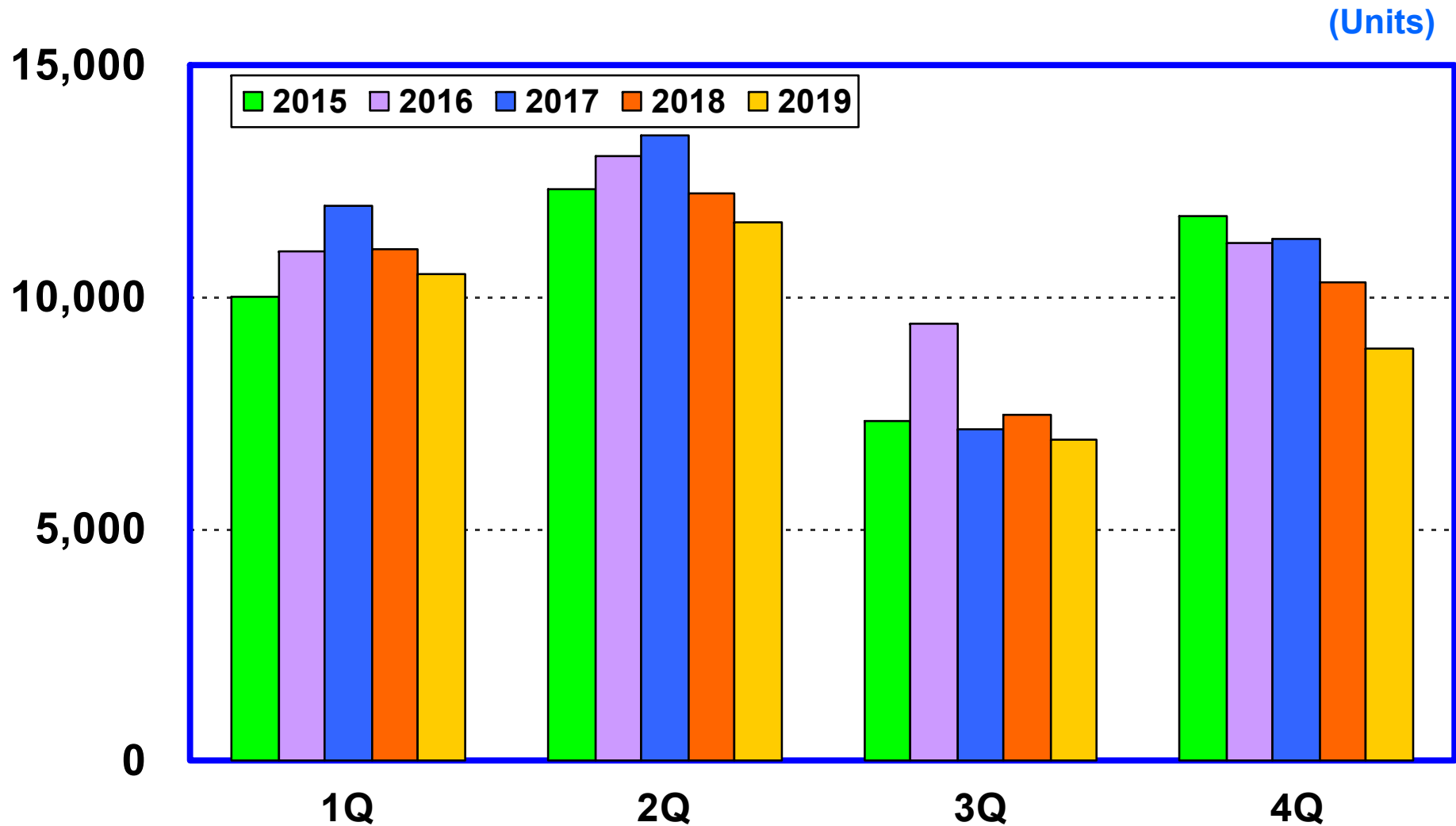
(Units)

Copier	43,807	41,046	-6.3%	37,930	-3,116	-7.6%	8,867	-1,453	-14.1%
(of which Color copier)	41,942	39,825	-5.0%	36,648	-3,177	-8.0%	8,529	-1,514	-15.1%
Server	31,232	32,000	+2.5%	32,063	+63	+0.2%	7,712	-289	-3.6%
PC	887,640	1,178,899	+32.8%	1,789,884	+610,985	+51.8%	468,271	+126,418	+37.0%
Client Total	927,835	1,222,643	+31.8%	1,830,498	+607,855	+49.7%	478,002	+130,356	+37.5%

Quarterly Number of PCs Sold

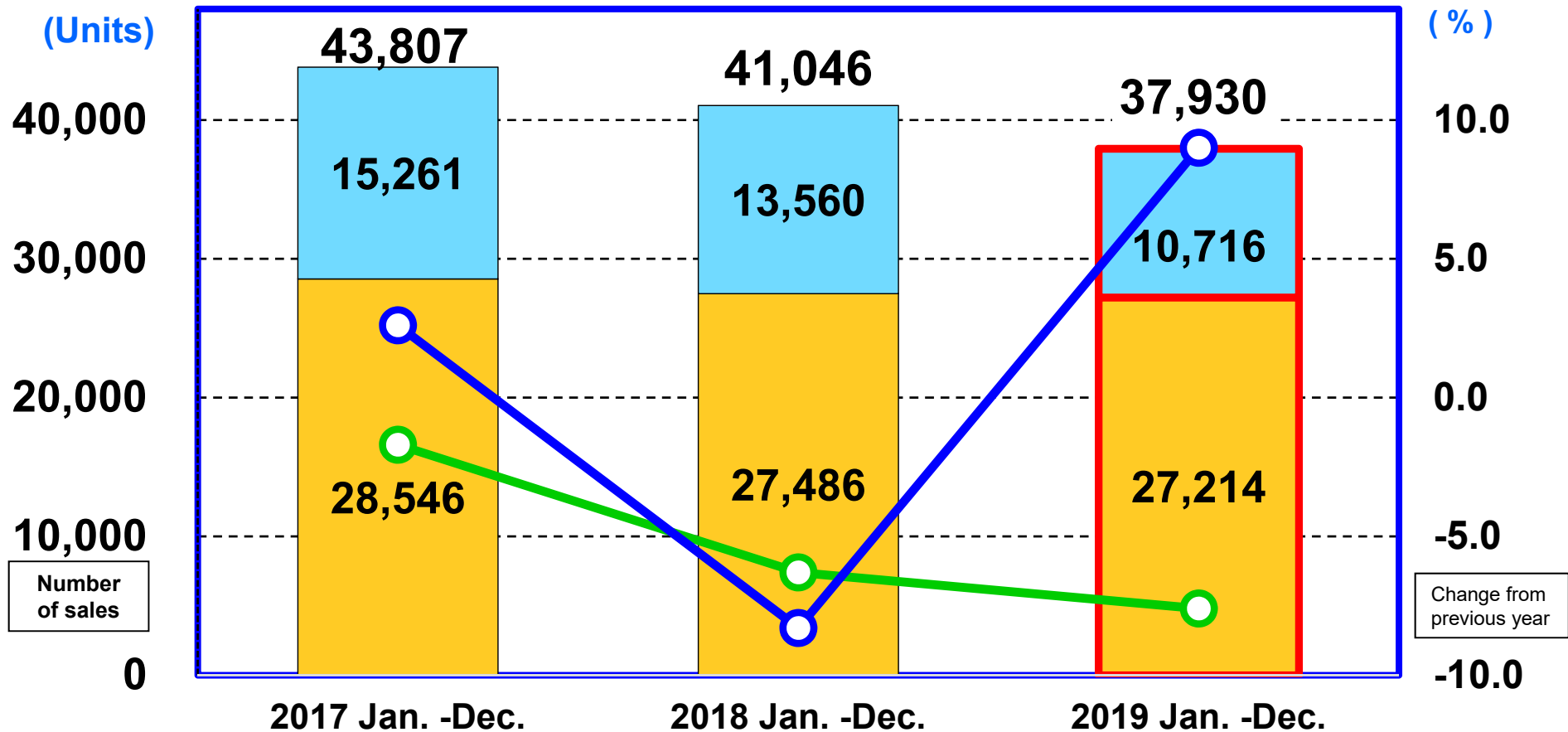
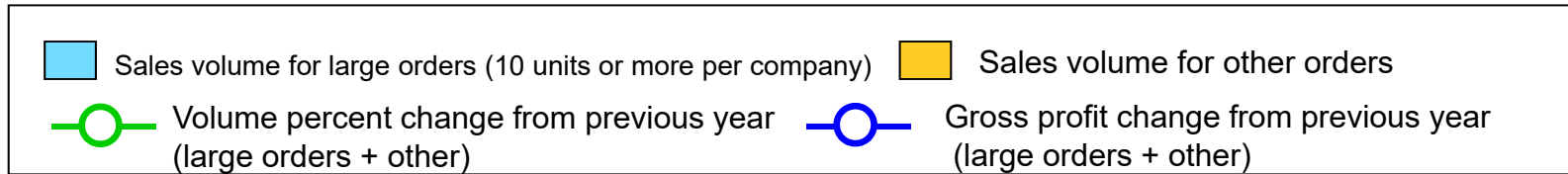


Quarterly Number of Copiers Sold

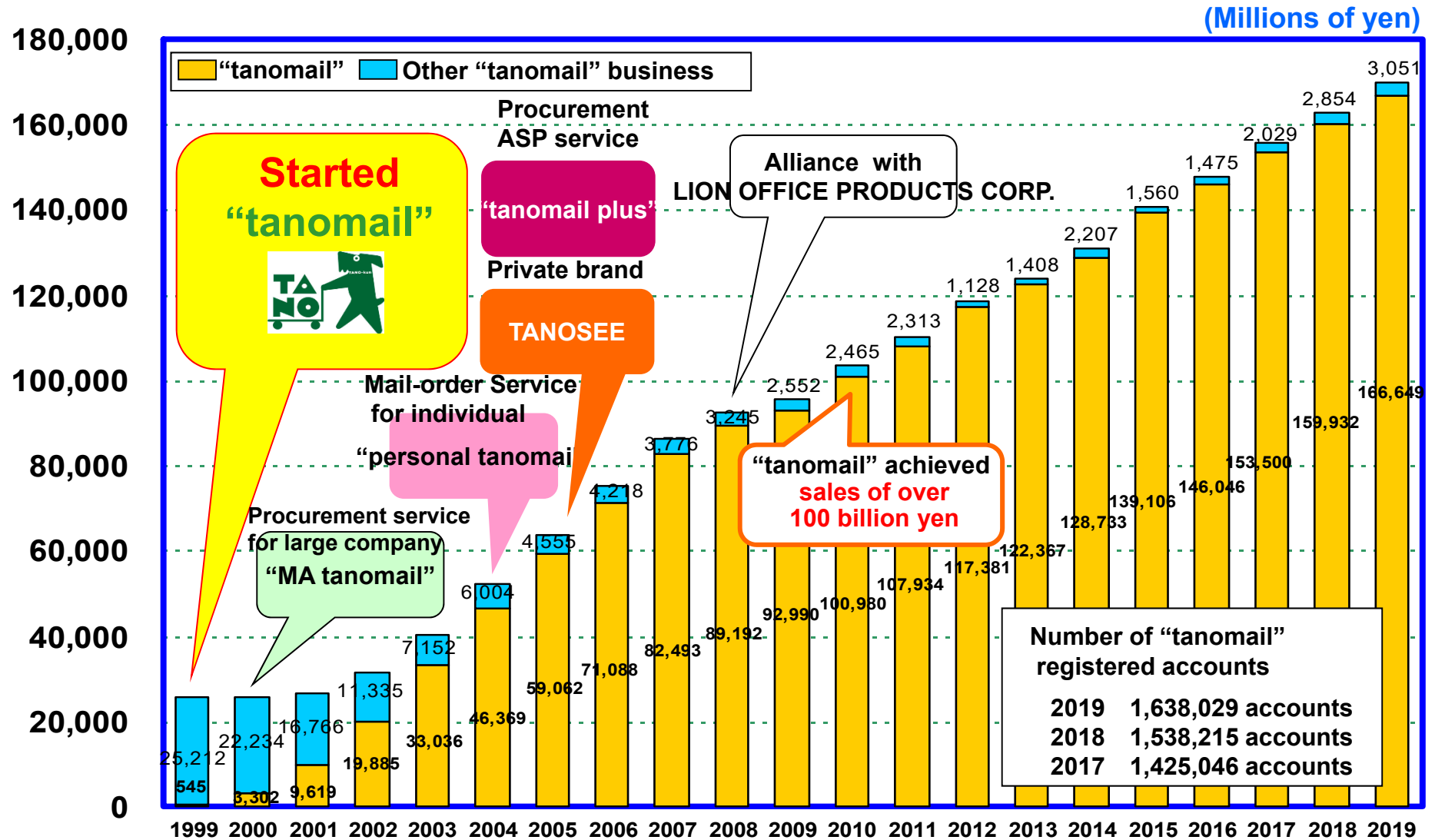


Non-Consolidated

Copier sales volume and gross profit percent change

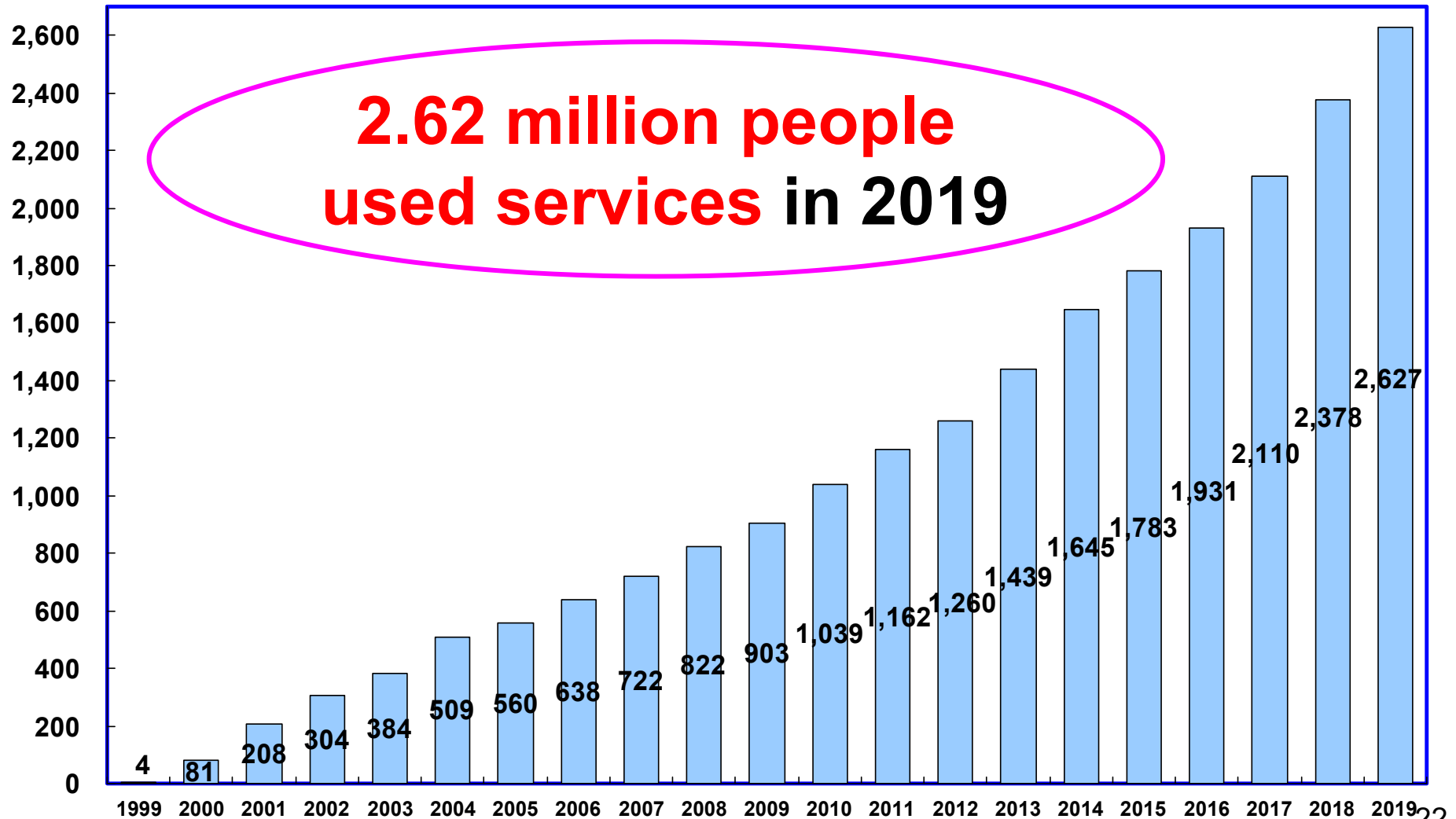


Annual sales transition of "tanomail"



Number of Users of Main Web Services (ASP)

(Thousand people)



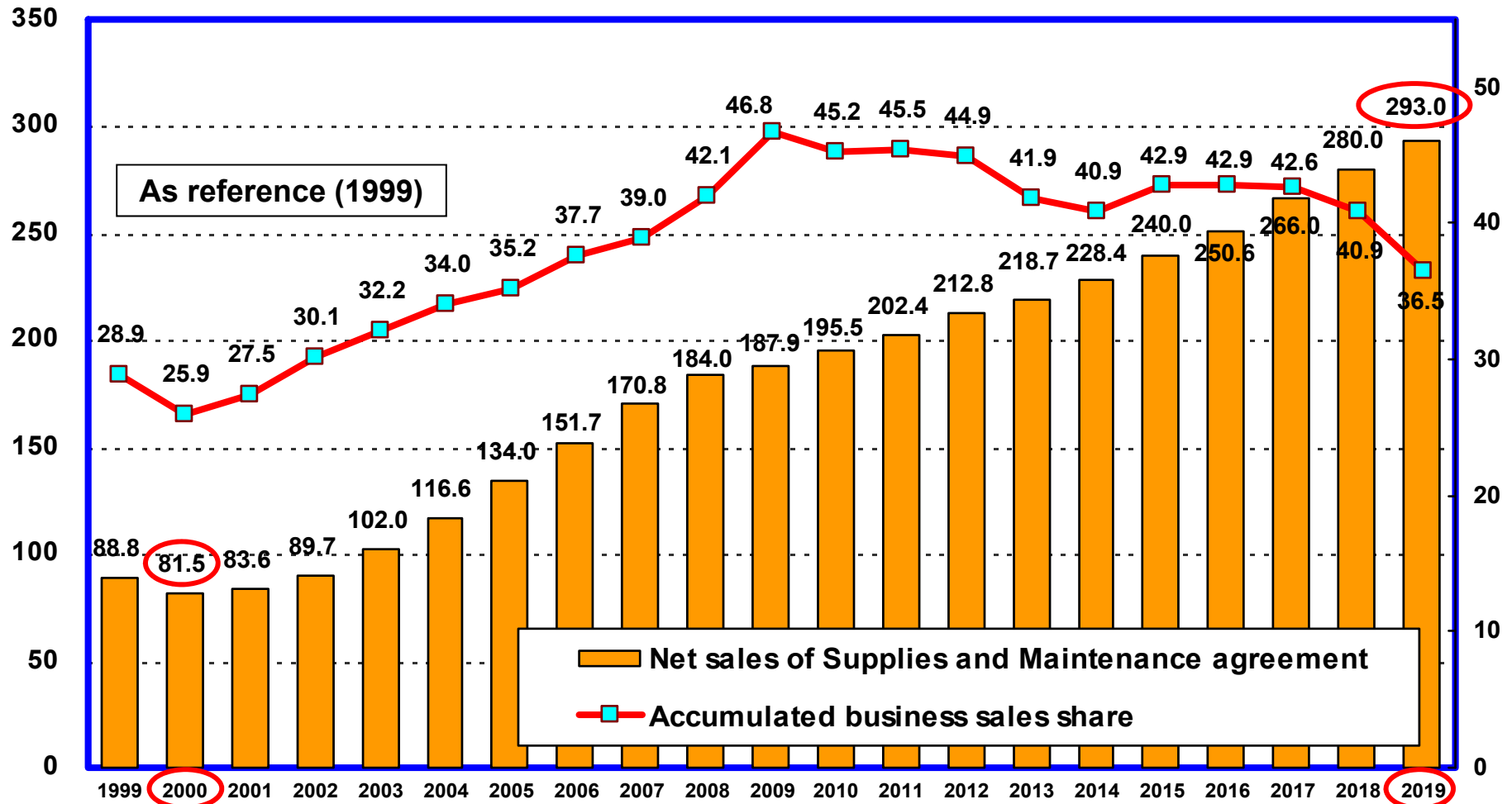
Growth of accumulated business

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**

Operating profit to net sales ratio and ordinary profit to net sales ratio both firmly established at 7%.

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

Market Environment in 2020

- **Domestic economy is stable although there are areas of weakness**
- **Promotion of work style reforms as well as IT introduction at SMEs for boosting productivity**
- **Expansion of markets such as AI, IoT and 5G**
- **Large-scale events such as the Olympics and Paralympics**
- **Strong demand by companies for IT utilization and energy-saving**

Policies and Measures in 2020

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

- **Work style reforms, especially responses for SMEs and improving productivity**
- **Realize “Entire Office” by further raising customer satisfaction**
- **Update the 8.13 million units remaining in the Windows 7 corporate market**
- **Responses for realizing the Ministry of Education, Culture, Sports, Science and Technology (MEXT) GIGA school concept**
- **Full-fledged implementation of Otsuka Strategy II**

Ensure Work Style Reforms Initiatives Are Not a Cost

[Demands from society]

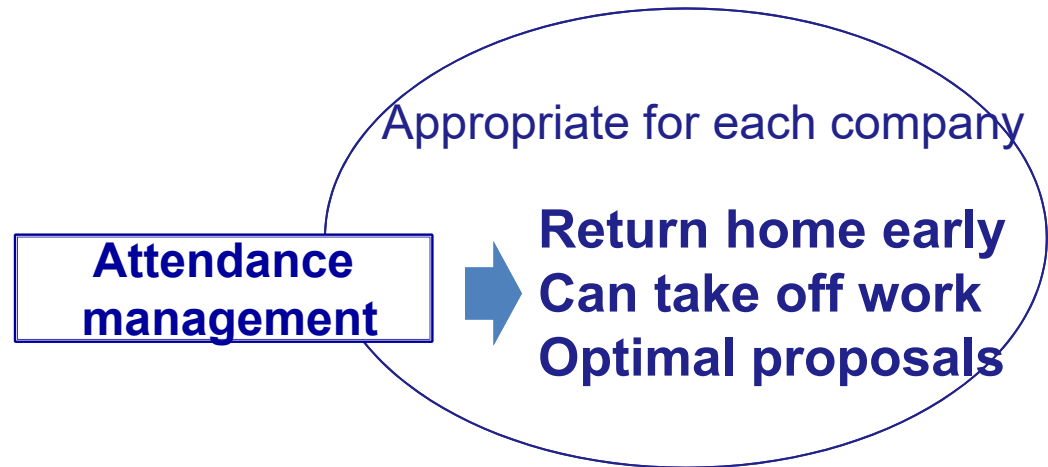
Mandatory upper limit on overtime work

Mandatory taking of annual paid holidays

Mandatory equal pay for equal work

Respond to labor shortage

Olympic and Paralympic Games



Cannot finish off work

Enhance business efficiency

Digital contracts RPA

Chatbot AI/IoT

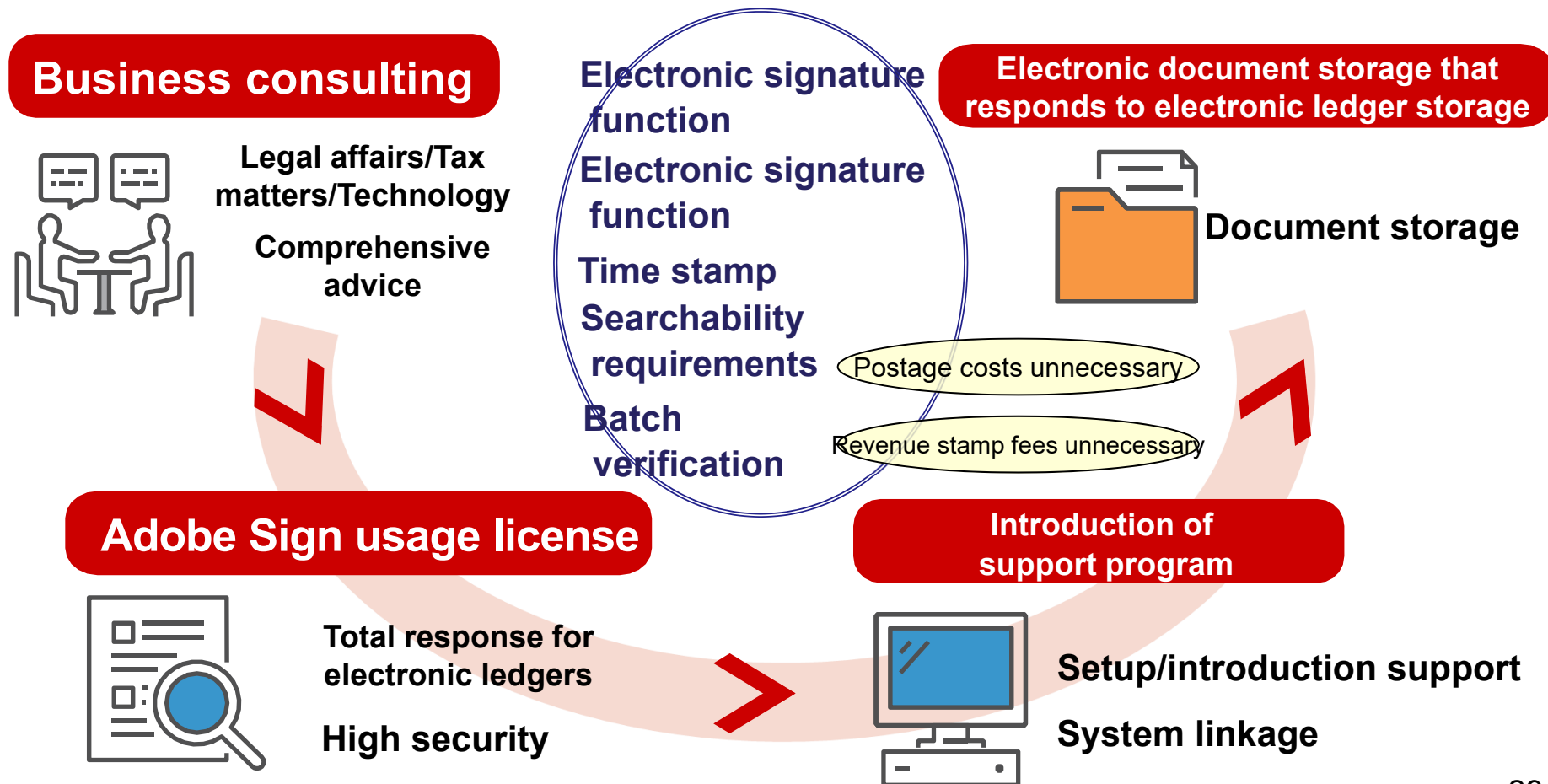
Telework

Mobile work Web conference

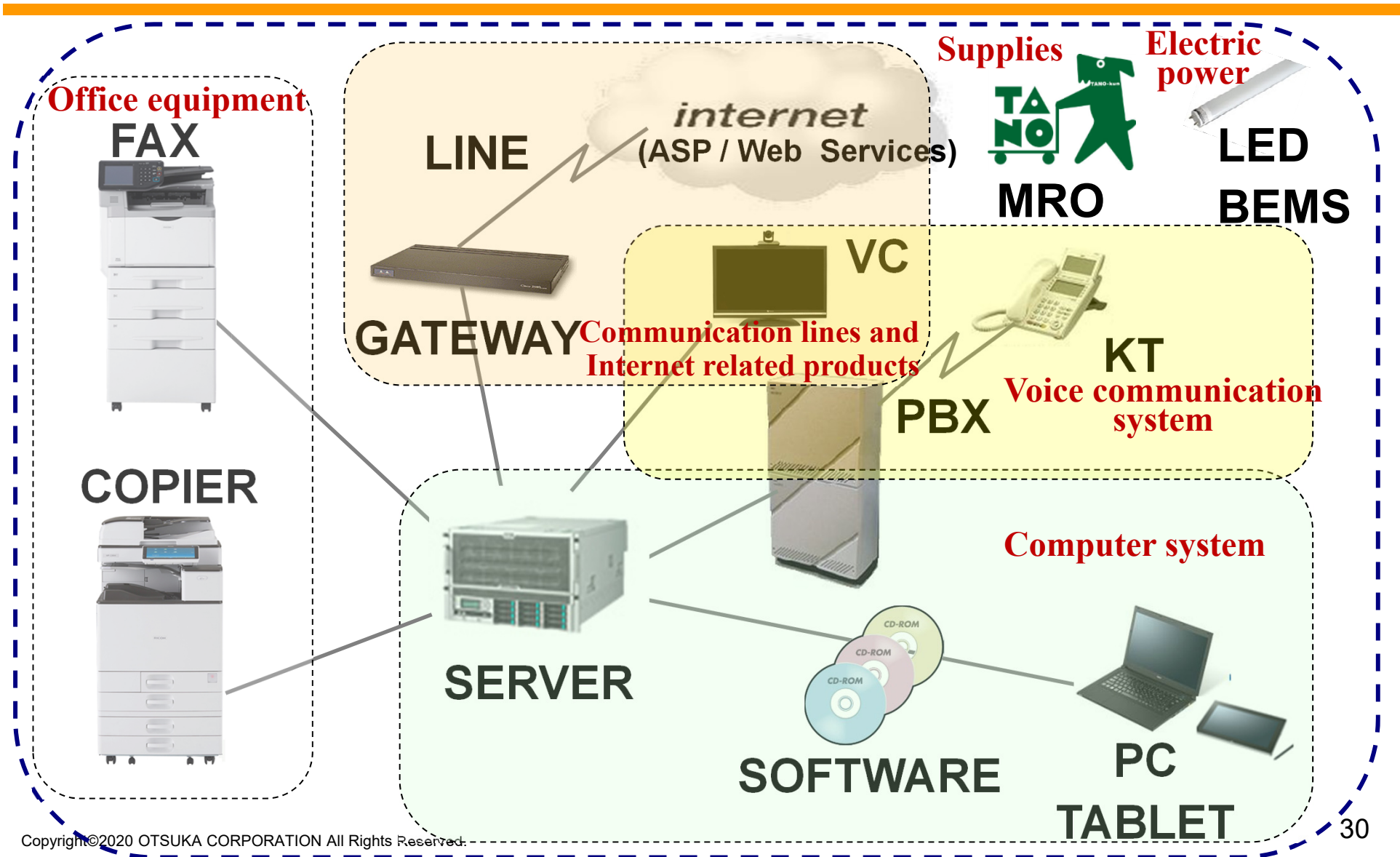
Work at home/Satellite office

Digital Contract Start Pack

Paperless contracts through electronic signatures

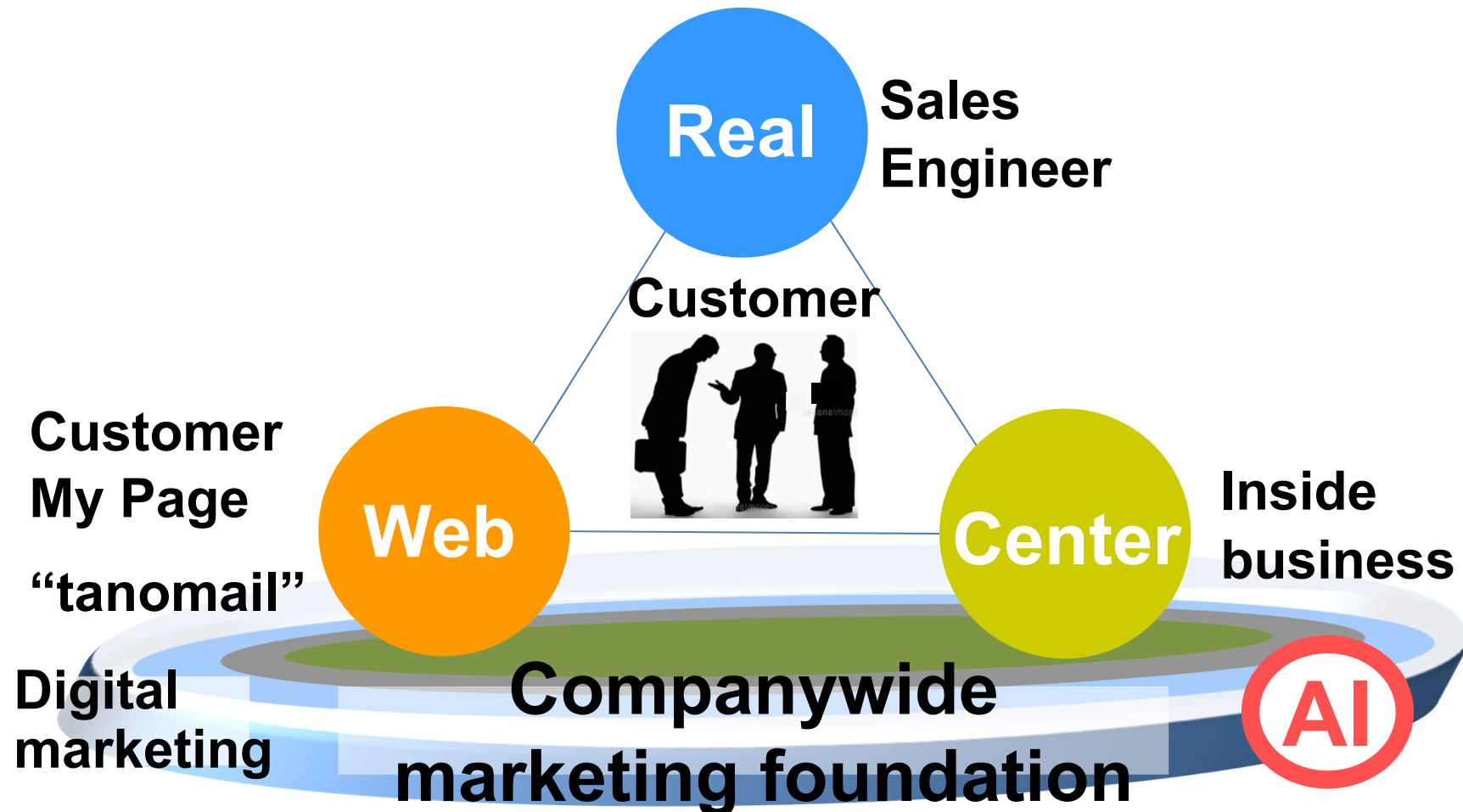


OTSUKA CORPORATION for the Entire Office



“DAISENRYAKU”(Otsuka Strategy) II

Build new relationships with customers



Customer My Page

Be useful

大塚ID登録

ビジネス
eラーニング

製品・サービスの
無料お試し

オンデマンド
動画

ビジネス
お役立ち情報

業務書式
ダウンロード

サービス
ログイン連携

フェア・セミナー申し
込み

お問い合わせ
修理のご依頼

動画でサポート

よくある
ご質問

ダウンロード

Support

The “face” of
OTSUKA Corporation
on the Web



障害通知
サービス

エンジニア
対応状況

コンタクトセン
ター混雑状況

CAD便利
ツール

レポート
ダウンロード

サポート
作業報告書

製品別・サービス
会員ページ

サポート
メルマガ

Contract confirmation/ changes

Web請求書

サービス契約

契約内容
の確認

コース変更

大塚IDと
契約の紐付

オプション
追加

登録情報の
変更

マイメニュー

チャット
ボット

大塚商会の
連絡先

個人向けの
お知らせ

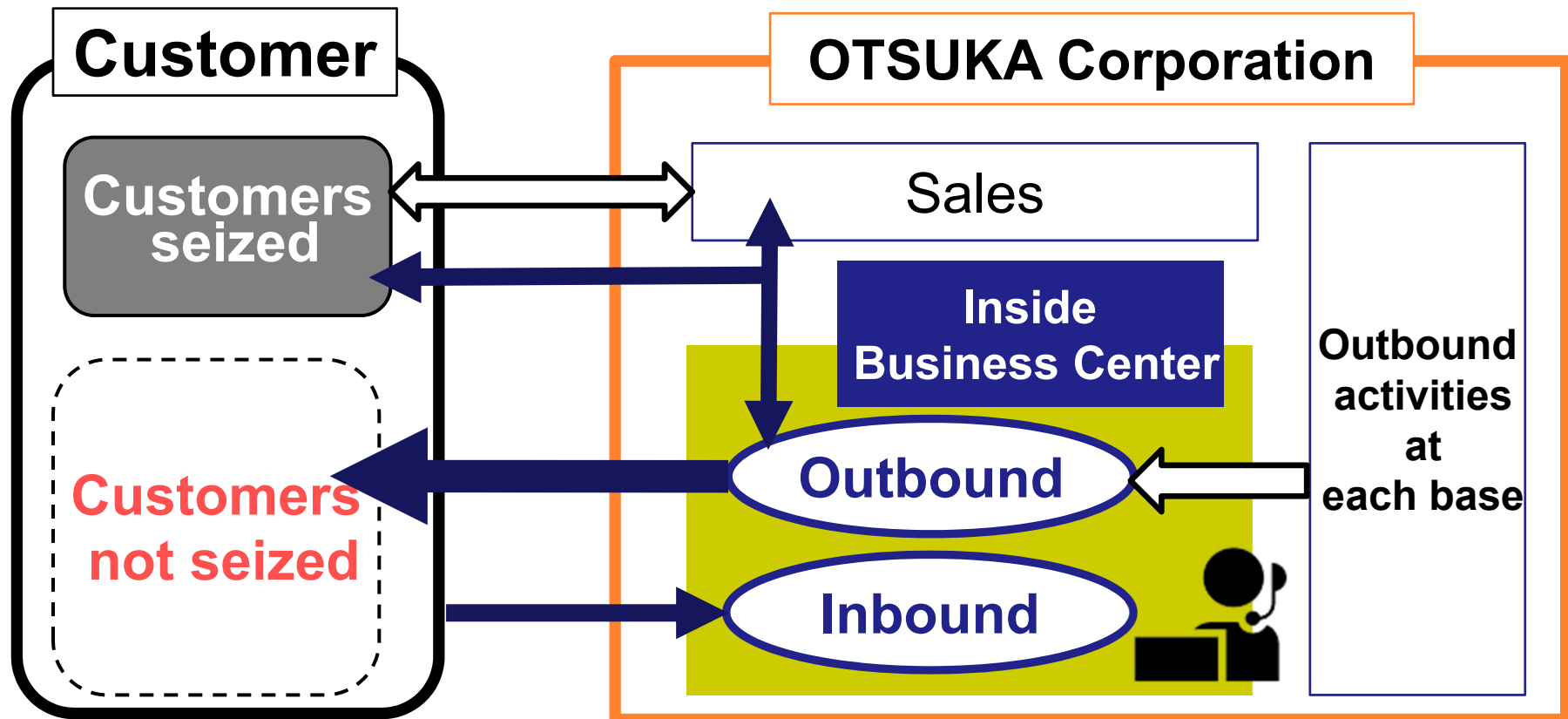
管理者機能

Communication

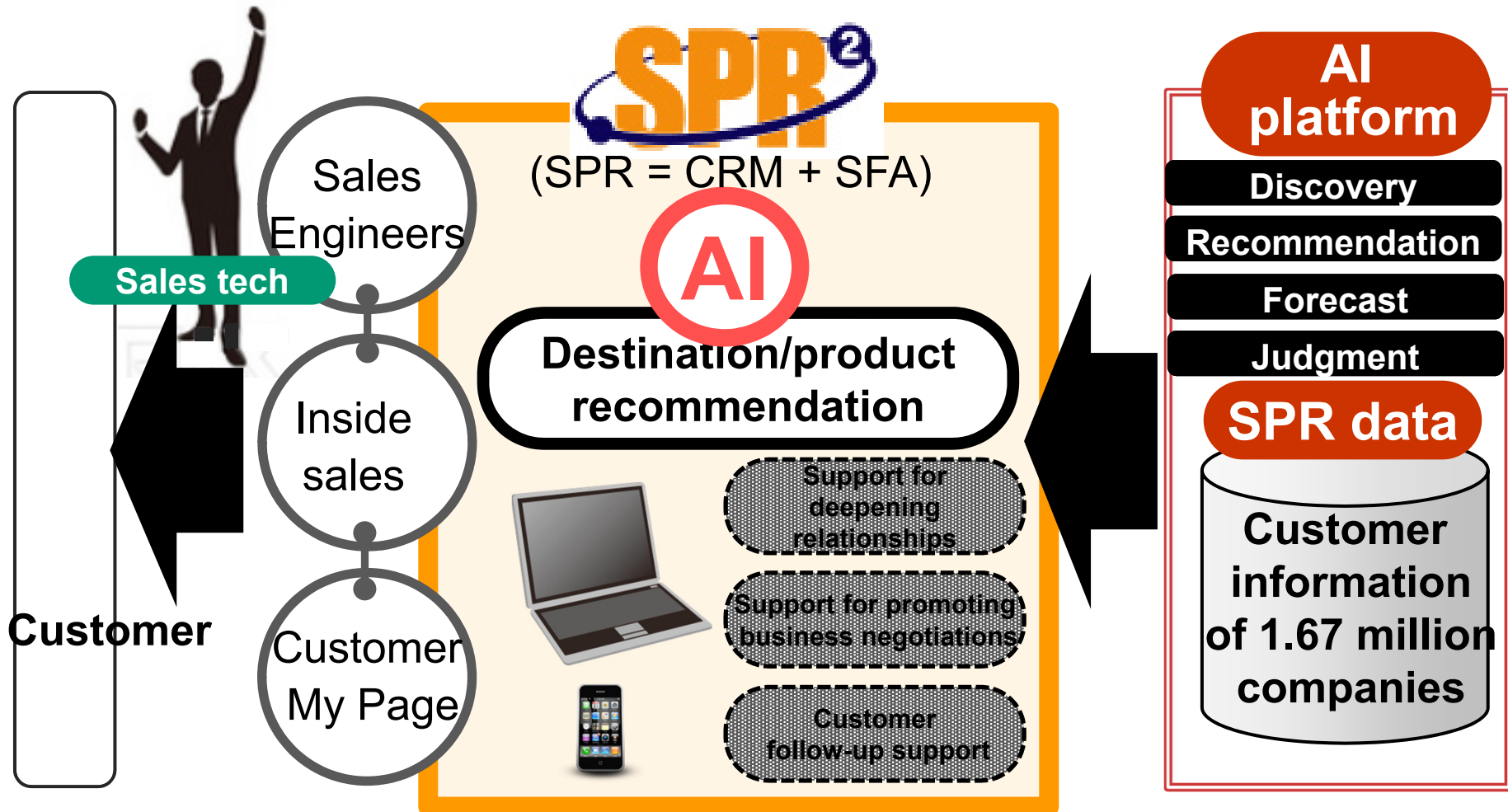
Inside Business Center

Inside business deployment

Prevent losing customers



Initiatives for Responding to Customers Utilizing AI

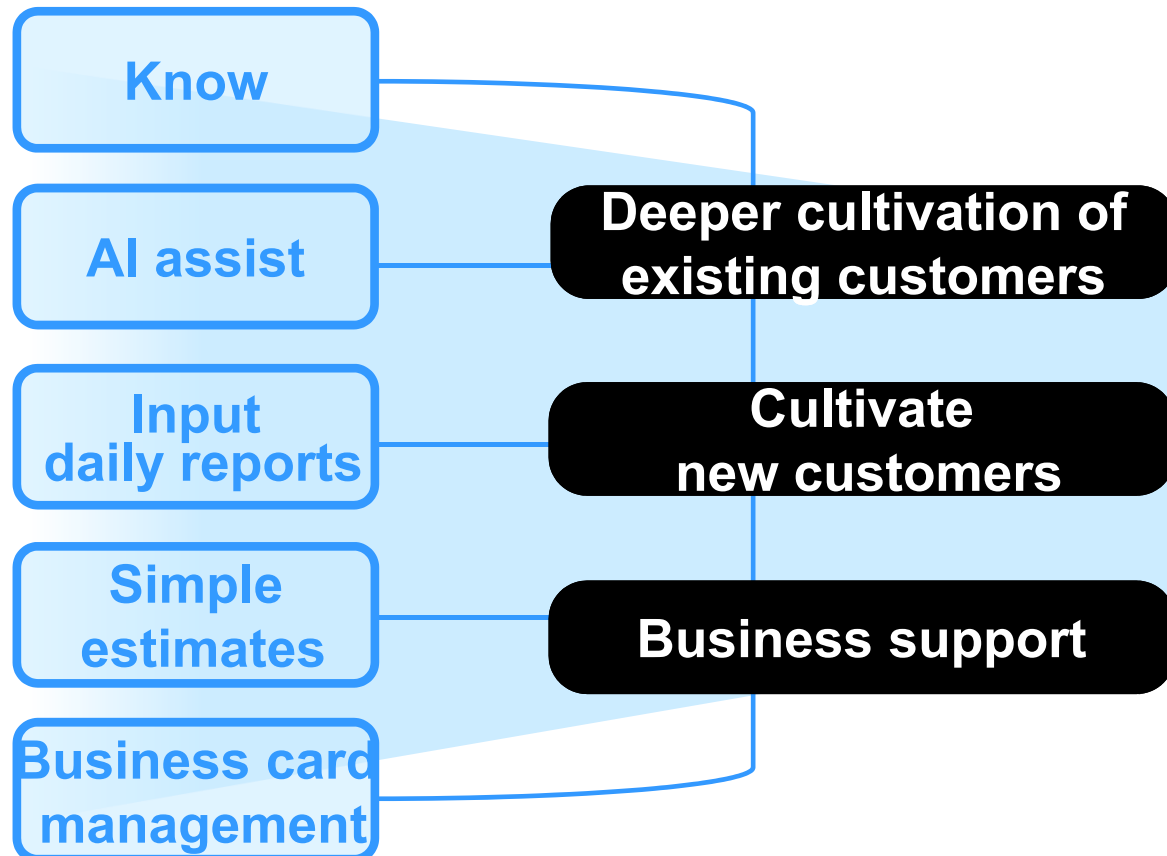


Support the creation of relationships and promote “entire office”

AI That Gets Close to Sales

Leverage AI to support sales activities

Further improvements in productivity



Equip with AI

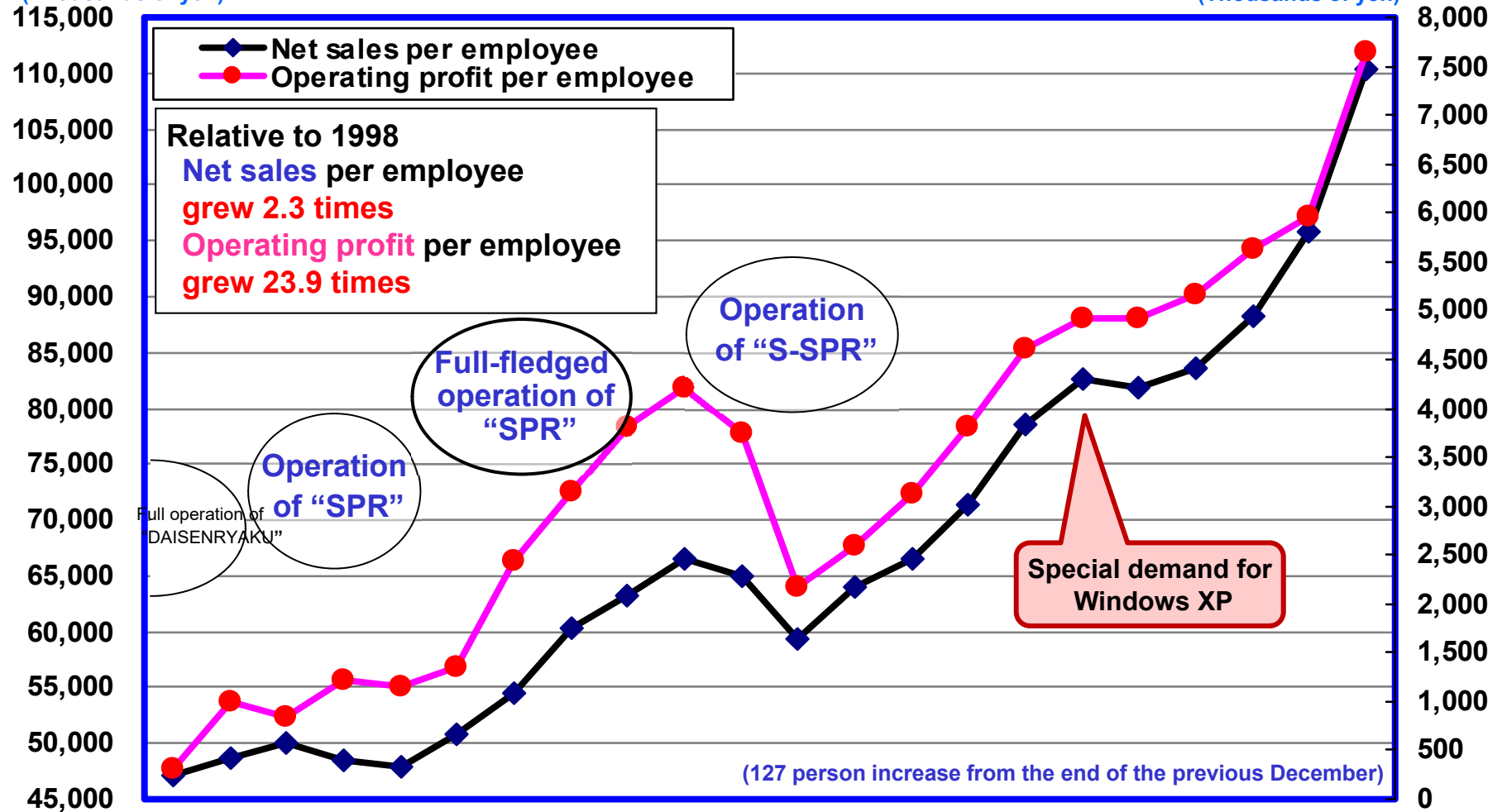


Non-Consolidated

Change of Net sales per employee and Operating profit per employee

Net sales per employee
(Thousands of yen)

Operating profit 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	2019
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	7,145	7,272
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	136

Non-Consolidated

Results from the Introduction of IT

Compared with 10 Years Ago

Item	Unit	FY 2009	FY 2019	Change	Percent change
Days off	Days	129	136	+7	+5.4%
Net sales	Billions of yen	401.9	802.2	+400.3	+99.6%
Number of employees	Persons	6,778	7,272	+494	+7.3%
Operating profit per employee	Thousands of yen	2,163	7,650	+5,487	+253.7%



All-time high

Twofold increase

Slight increase

3.5 times

Numerous Achievements in Anticipation of Work Style Reforms

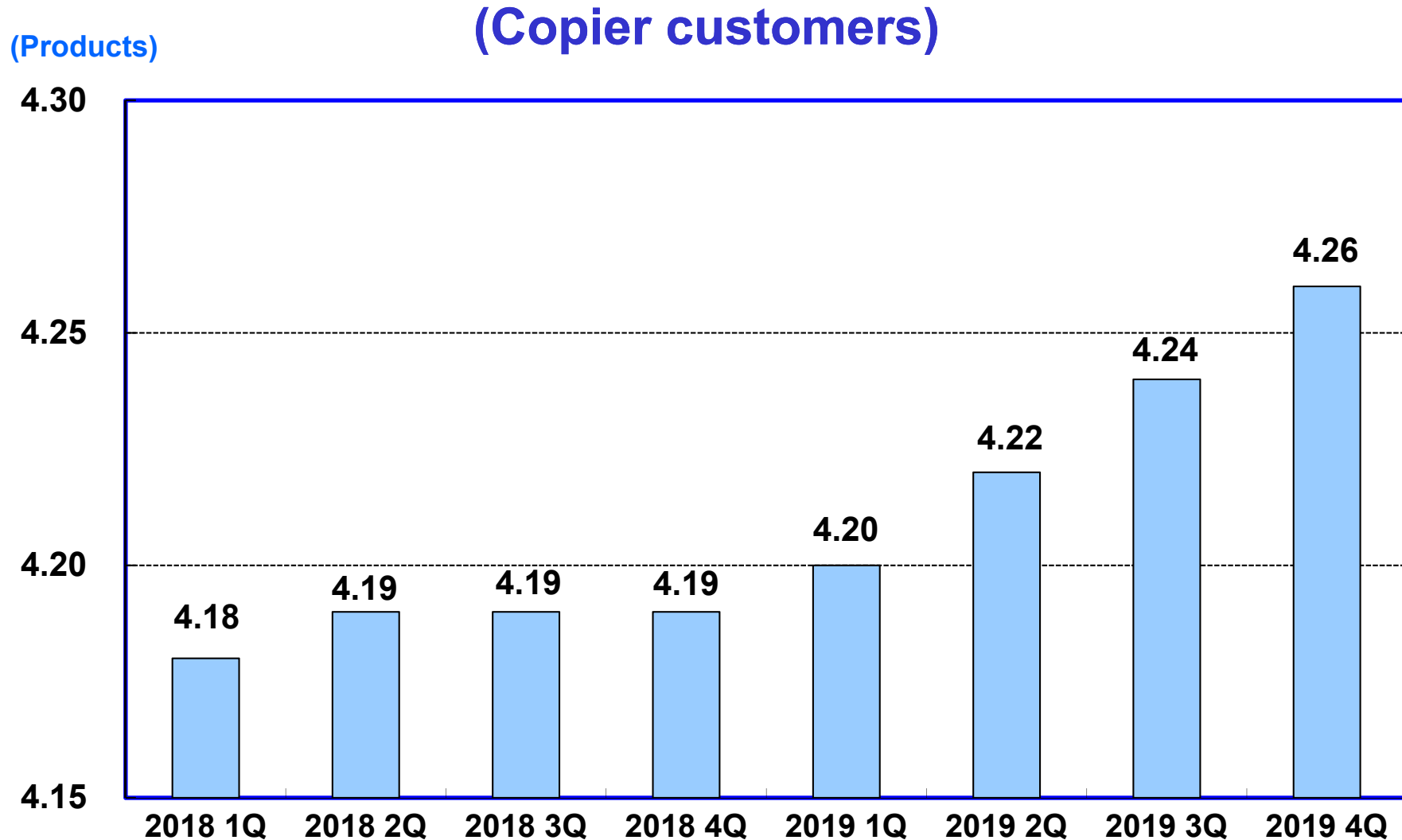


2020



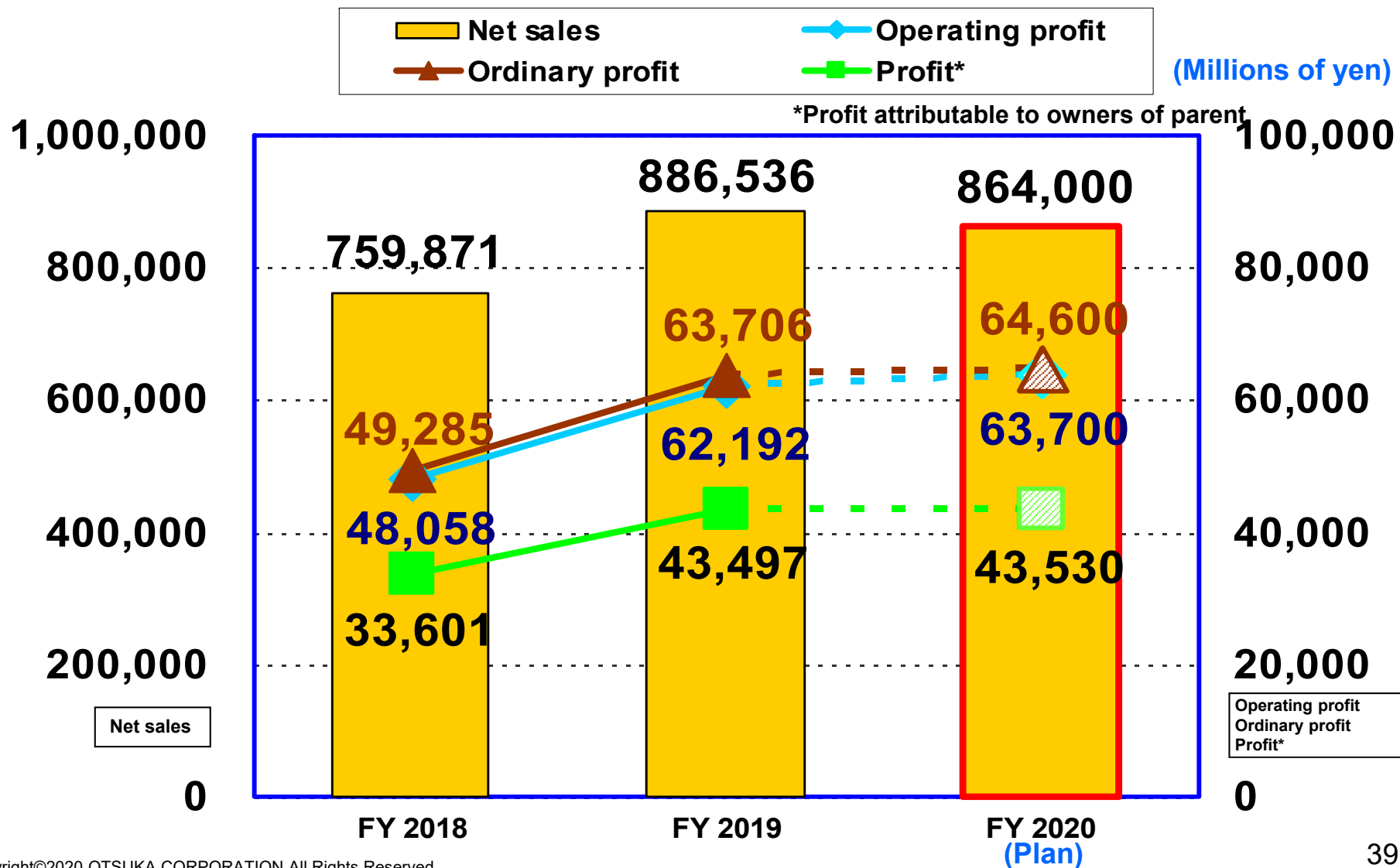
Non-Consolidated

Trends in the number of products per one company



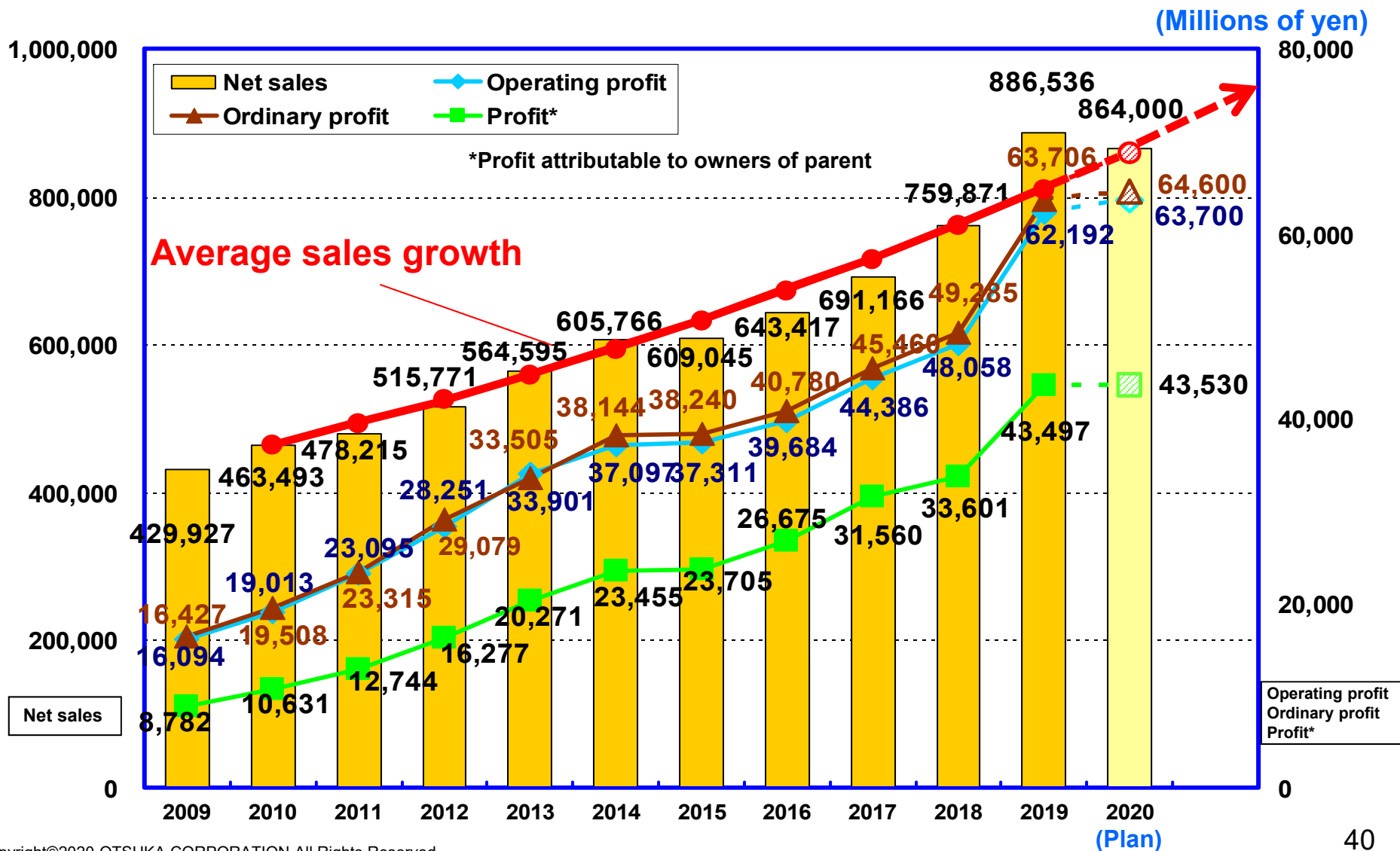
Consolidated

Plans of Net sales and profit



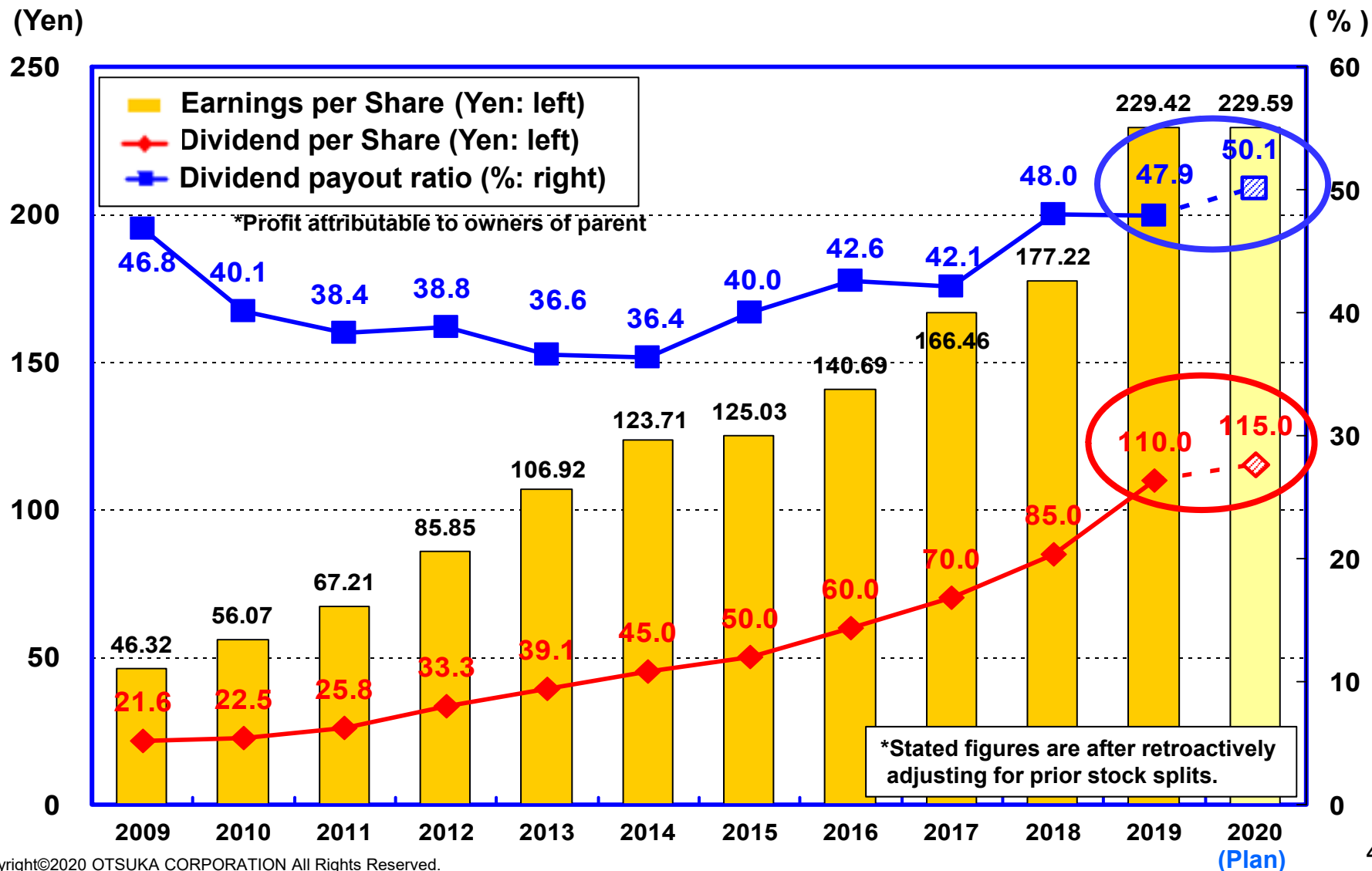
Consolidated

Performance



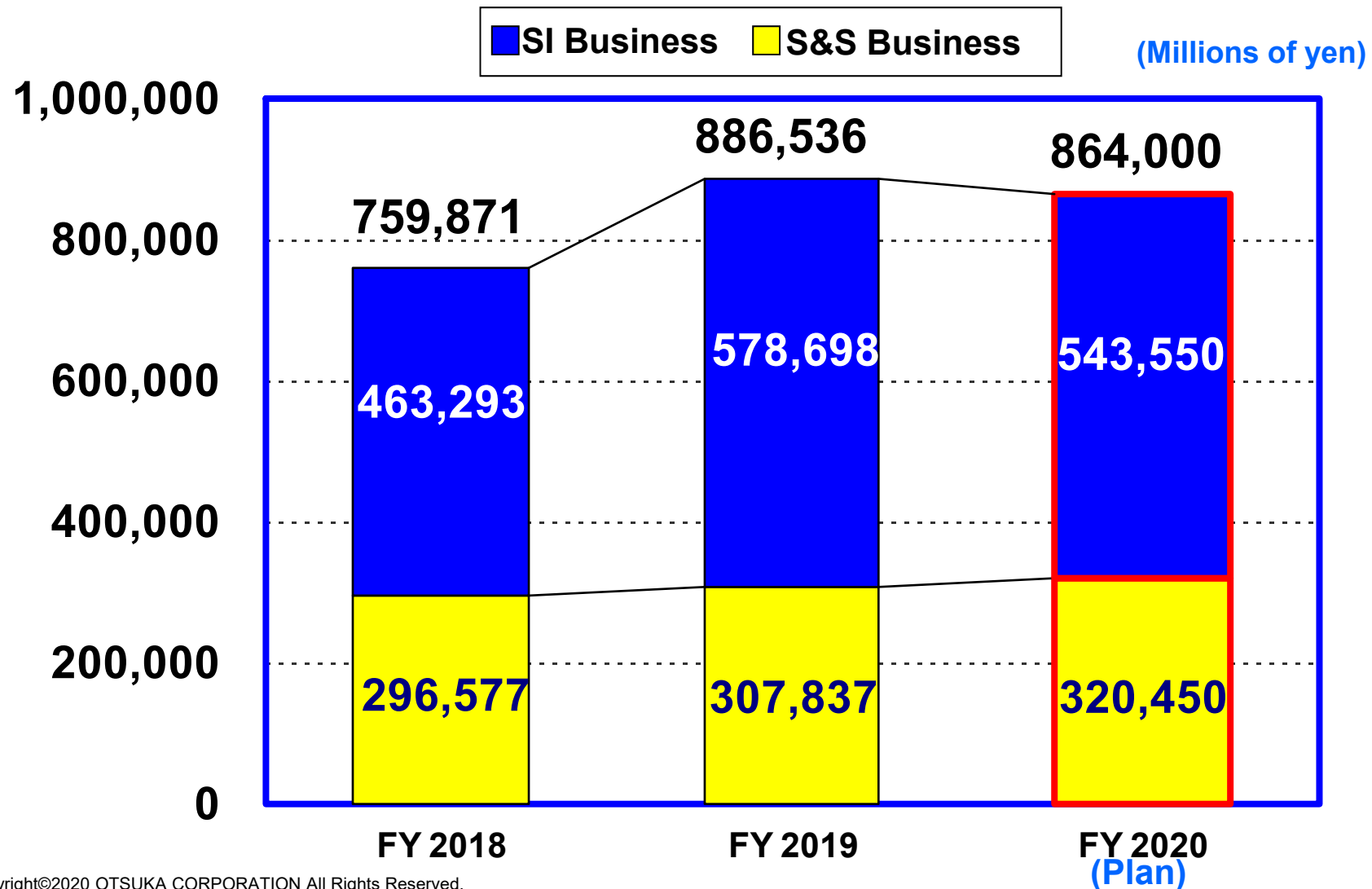
Consolidated

Dividends



Consolidated

Plans of Net sales by segments



Jissen (Practical) Solution Fair 2020

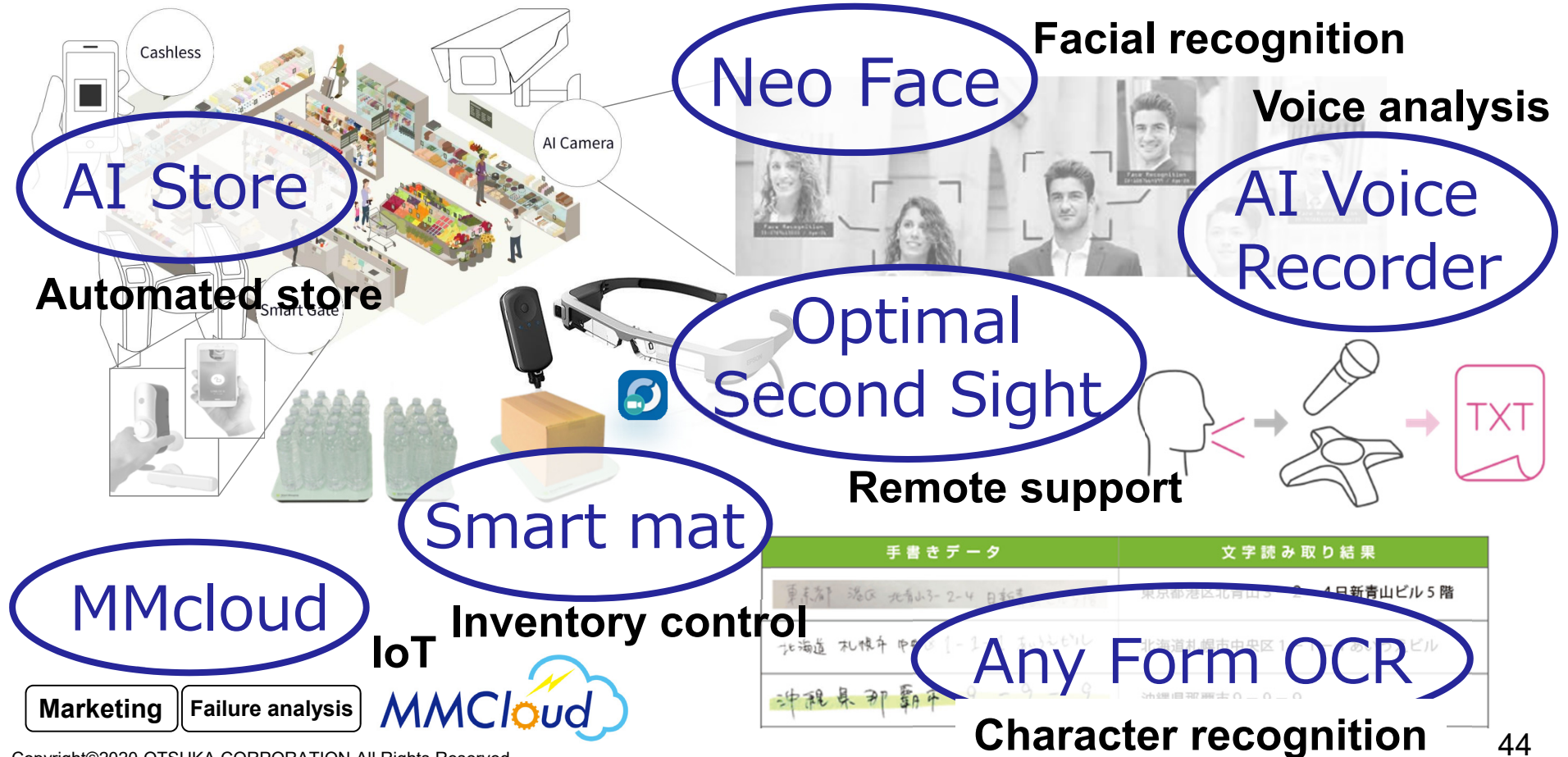
**Developing the Way to
Work Style Reforms through IT**



**Dates : February 5 (Wed) – February 7 (Fri)
Venue: The Prince Park Tower Tokyo**

AI/IoT Solution Room

Introduce at “Practical Solution Fair”





Cautionary statement

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2. Forward-looking statements in this material with respect to OTSUKA CORPORATION's strategies, plans, beliefs, and other statements related to future trends and performance are not historical facts, and as such involve risks and uncertainties. Such statements are not guarantees of future performance. Actual results may differ considerably from projections due to unpredictable changes to the economic situation, and a number of factors. Key factors that could affect actual results are general economic conditions, social trends, change of relative competitiveness in demand action for products and services provided by OTSUKA CORPORATION. Key factors that may affect business performance are not limited to these items described here.
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