



**Fiscal year ending December 2020**  
**Six months** (January – June)  
**Business Results**

**August 7, 2020**

**OTSUKA CORPORATION**  
**Yuji Otsuka, President**

We wish to express our sincere sympathies to all the people who have been affected by COVID-19, including those infected, their families and healthcare professionals.

It is our hope that COVID-19 will subside as soon as possible.

# Summary of Business Results, January - June, 2020

(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>432,943</b>	<b>95.8%</b>	<b>-3.8%</b>	<b>385,699</b>	<b>94.4%</b>	<b>-5.3%</b>
<b>Operating profit</b>	<b>30,310</b>	<b>84.2%</b>	<b>-10.5%</b>	<b>26,791</b>	<b>83.7%</b>	<b>-11.9%</b>
<b>Ordinary profit</b>	<b>30,963</b>	<b>84.8%</b>	<b>-10.8%</b>	<b>28,528</b>	<b>84.8%</b>	<b>-10.7%</b>
<b>Profit*</b>	<b>20,789</b>	<b>84.8%</b>	<b>-11.6%</b>	<b>19,784</b>	<b>84.9%</b>	<b>-10.6%</b>

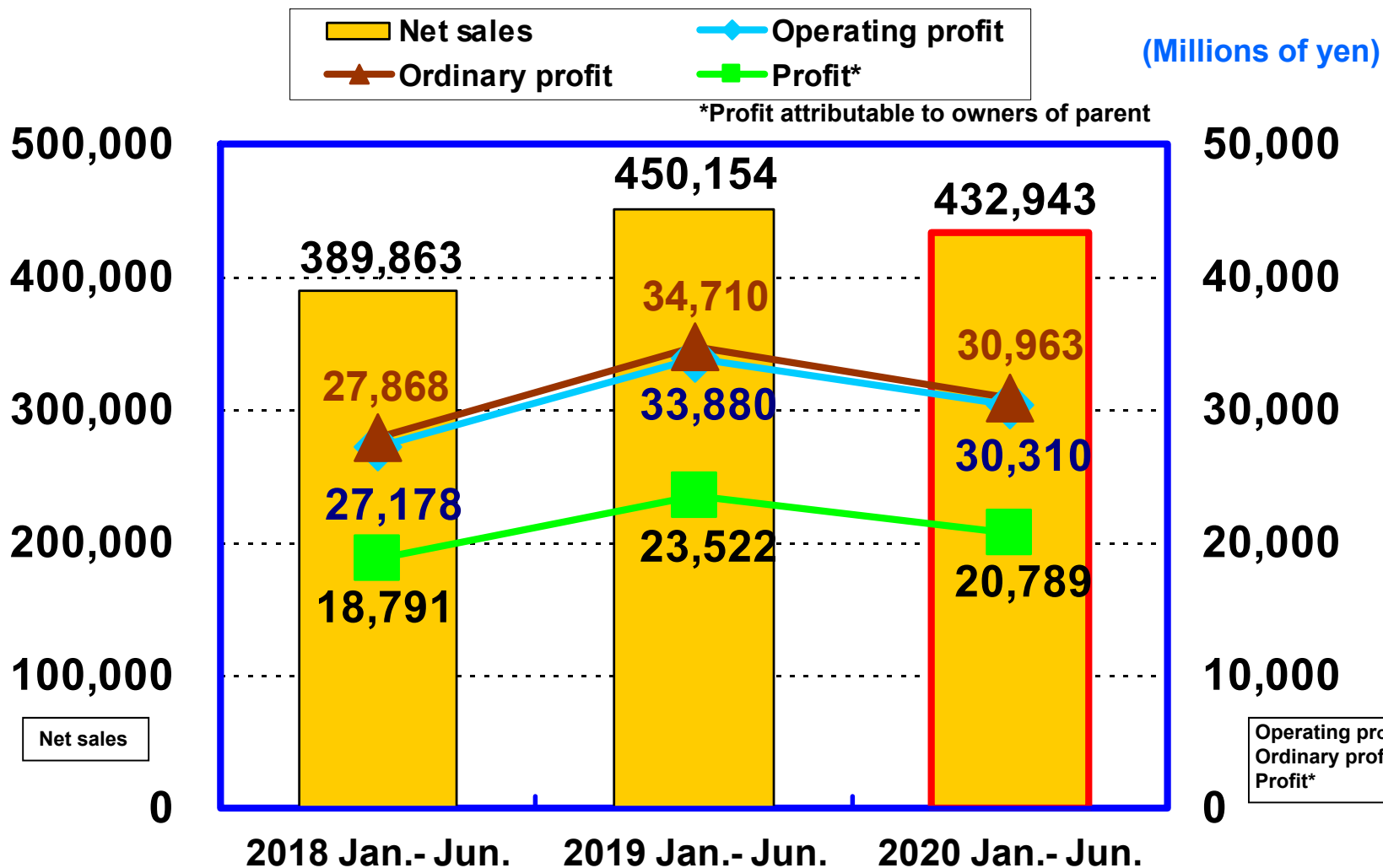
\*Profit attributable to owners of parent

# Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	2020 Jan.- Jun. Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	453	4,461
	Net World Corporation	Sales and technology support for network-related equipment	446	65,432
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	319	2,509
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	471	4,481

Consolidated

# Net sales and Profits

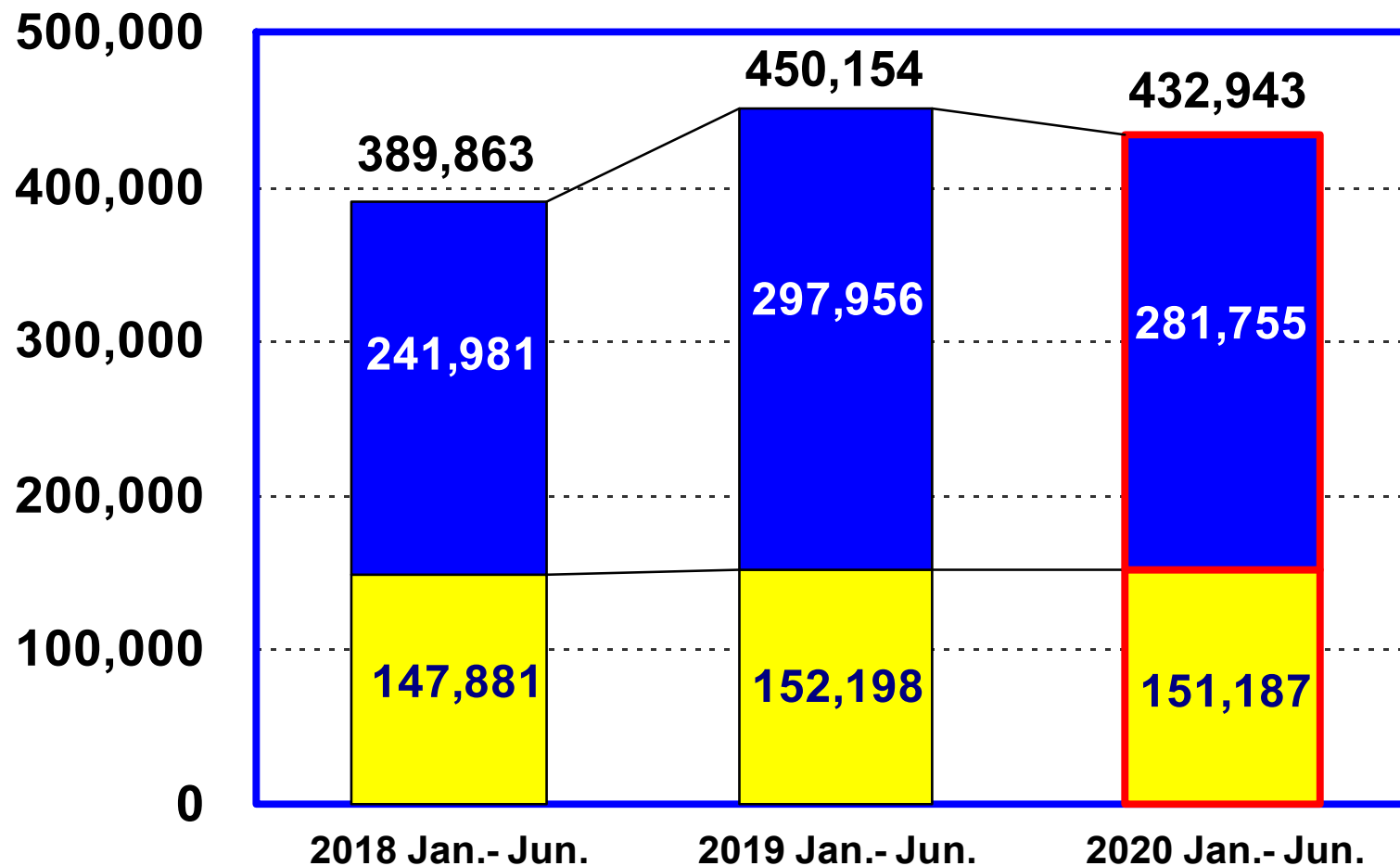


Consolidated

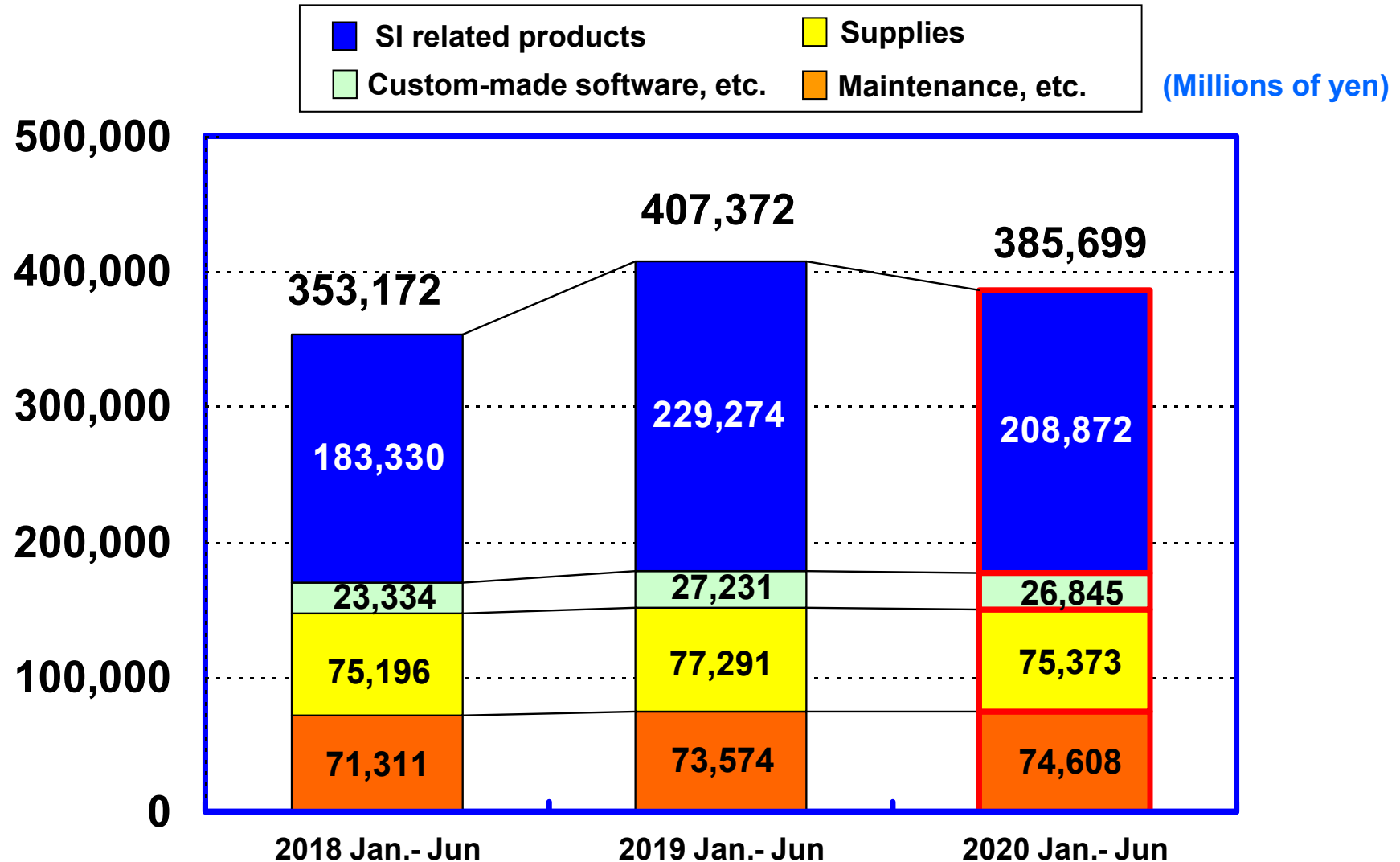
# Net sales by segments

■ SI business ■ S&S business

(Millions of yen)

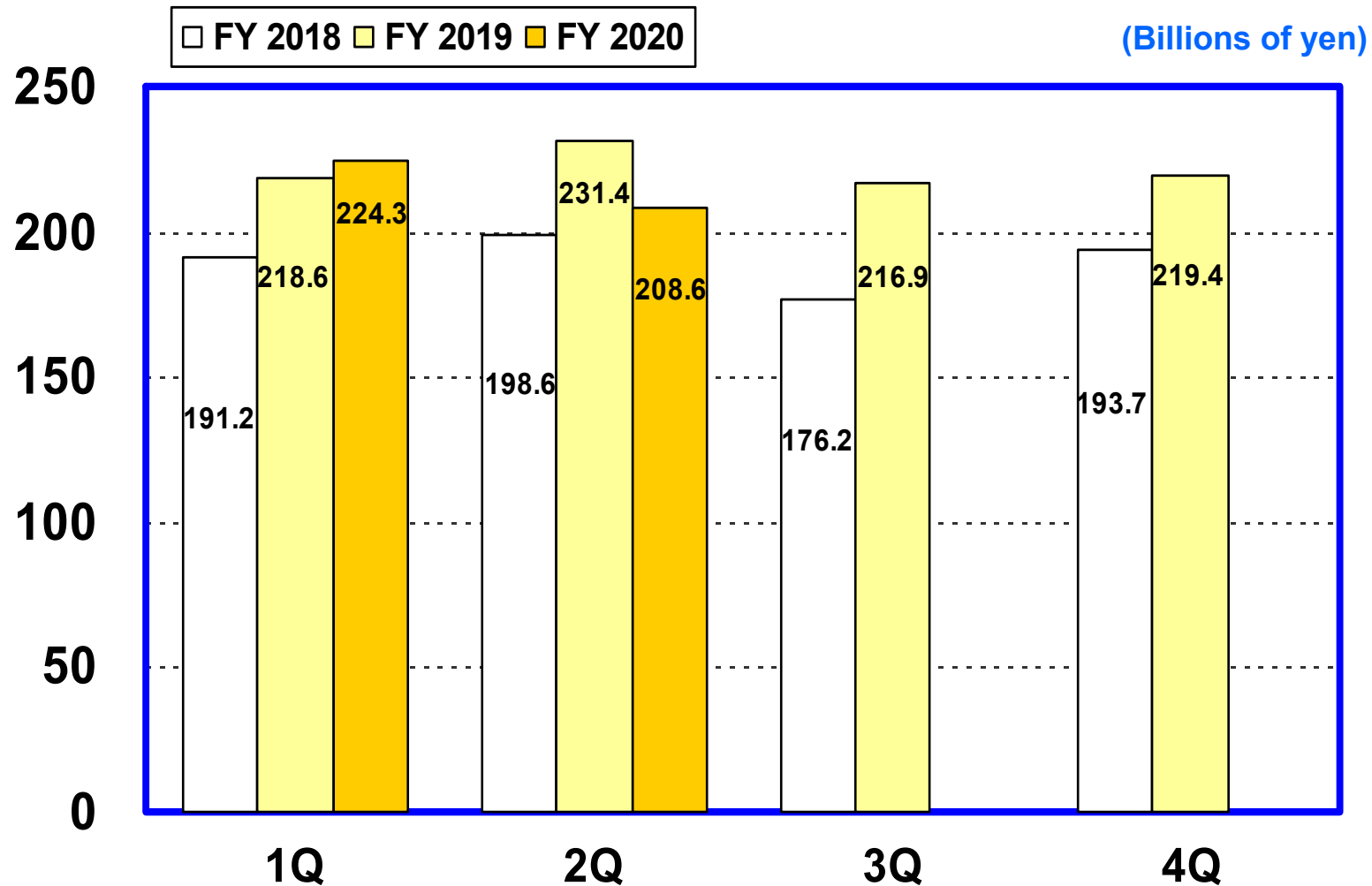


# Net sales by 4 segments



Consolidated

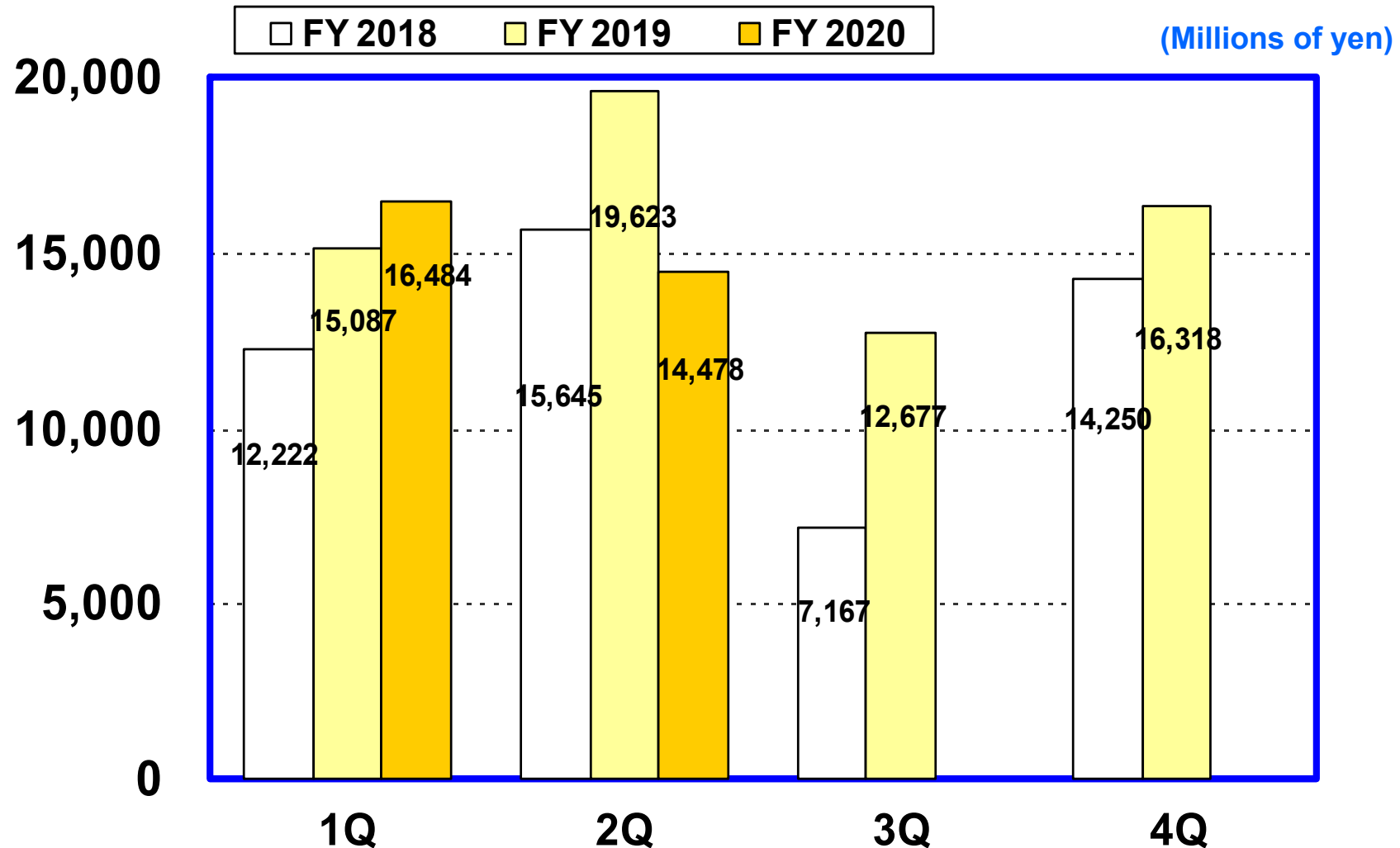
# Quarterly change of Net sales





Consolidated

# Quarterly change of Ordinary profit



# Summary of Business Results, April – June, 2020

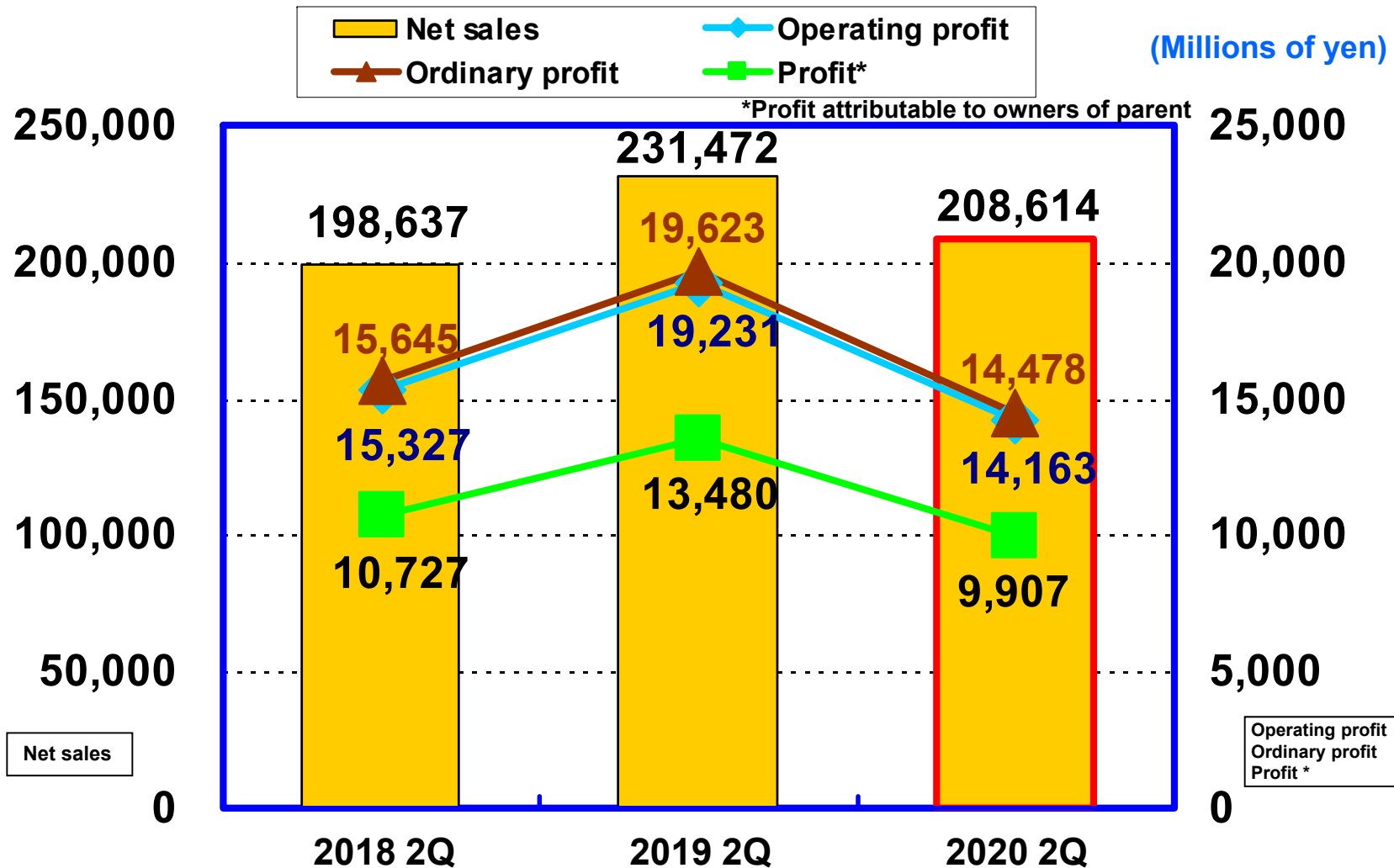
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	208,614	-9.9%	183,689	-12.5%
Operating profit	14,163	-26.4%	12,668	-28.1%
Ordinary profit	14,478	-26.2%	12,921	-27.7%
Profit*	9,907	-26.5%	8,958	-27.6%

\*Profit attributable to owners of parent

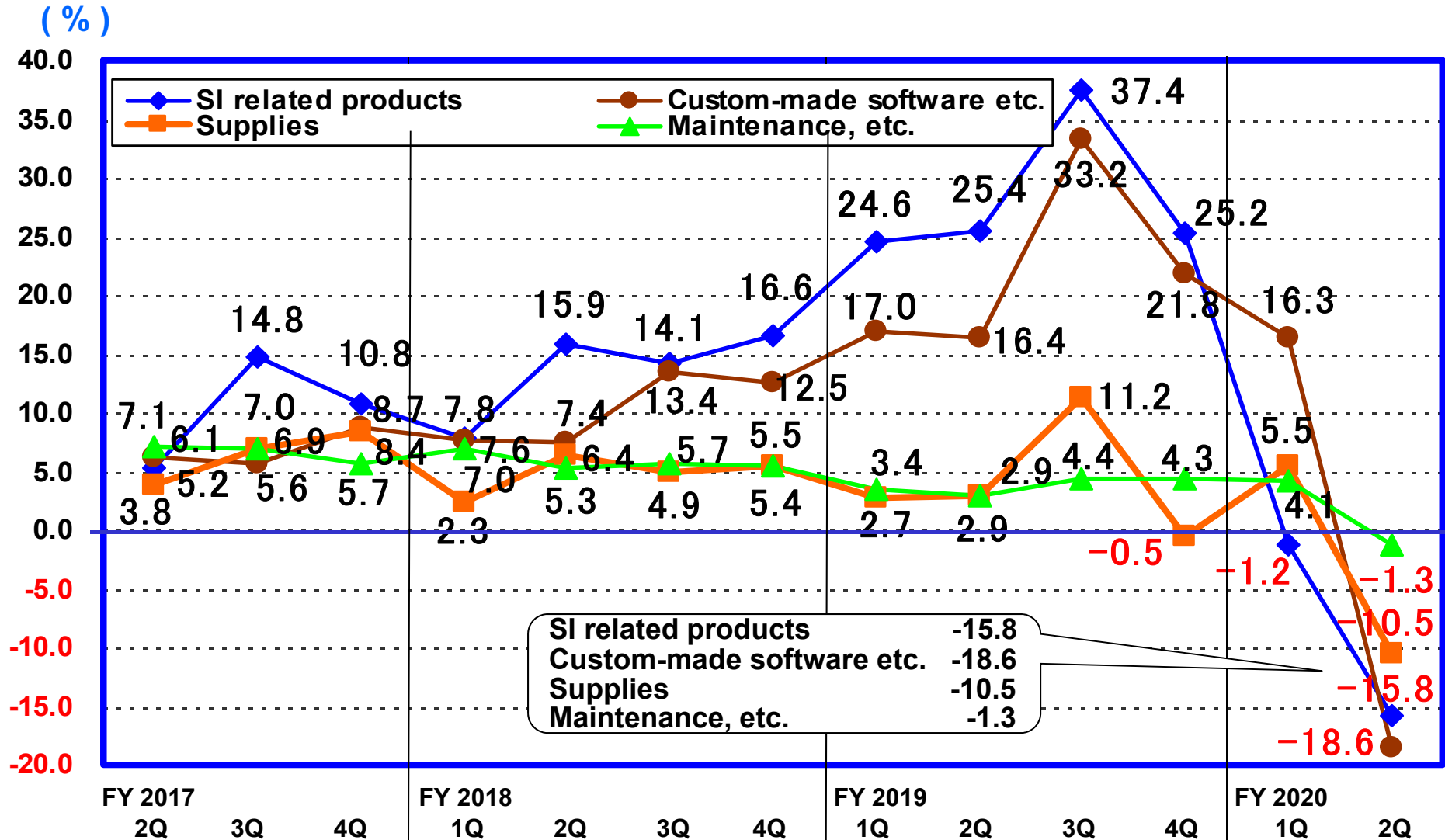
Consolidated

# Net sales and Profits, April – June



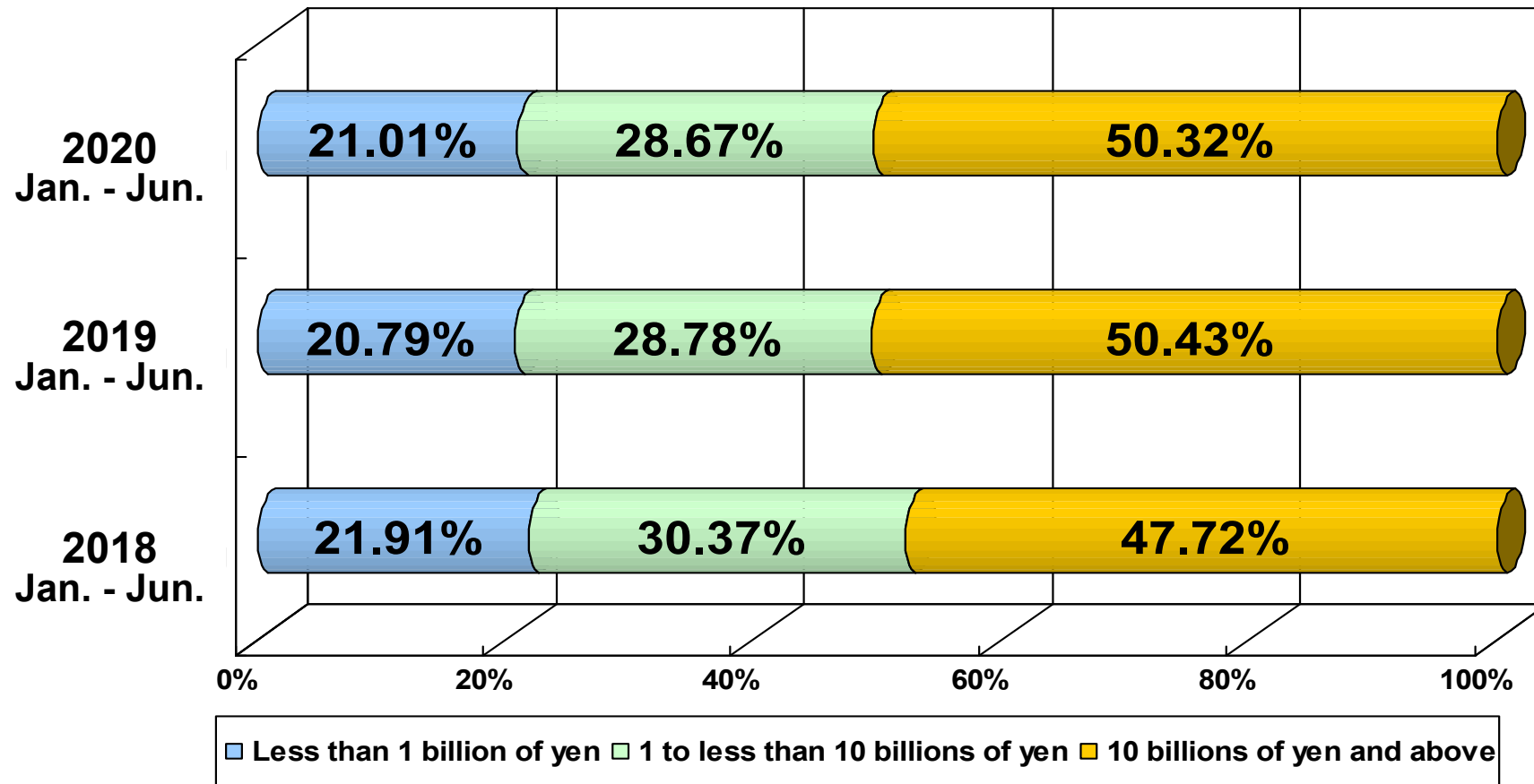
Non-Consolidated

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



Non-Consolidated

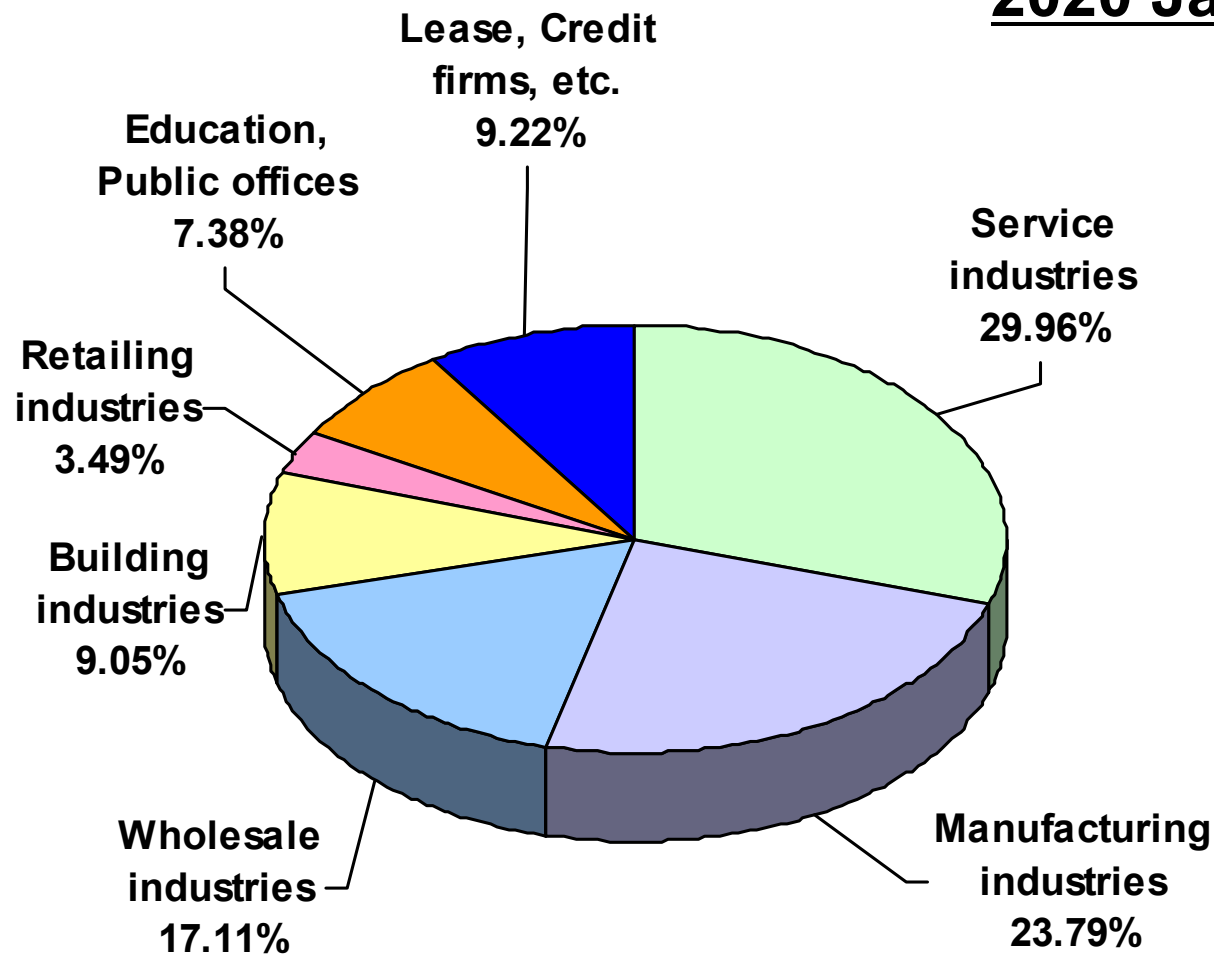
# Net sales structure on customers' total annual business scale



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

# Sales breakdown by customers' type of industry

2020 Jan. – Jun.

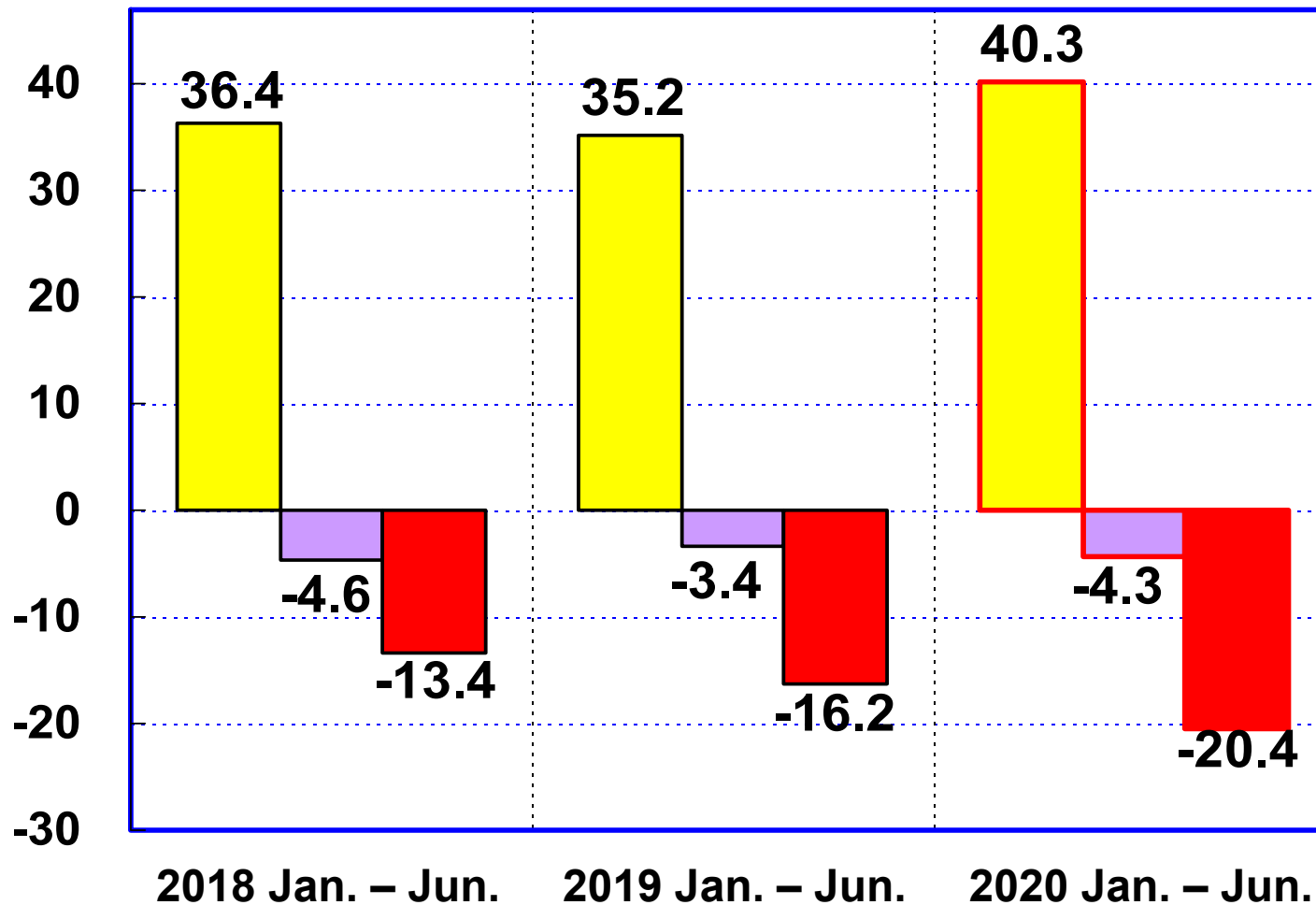


Consolidated

# Cash flows

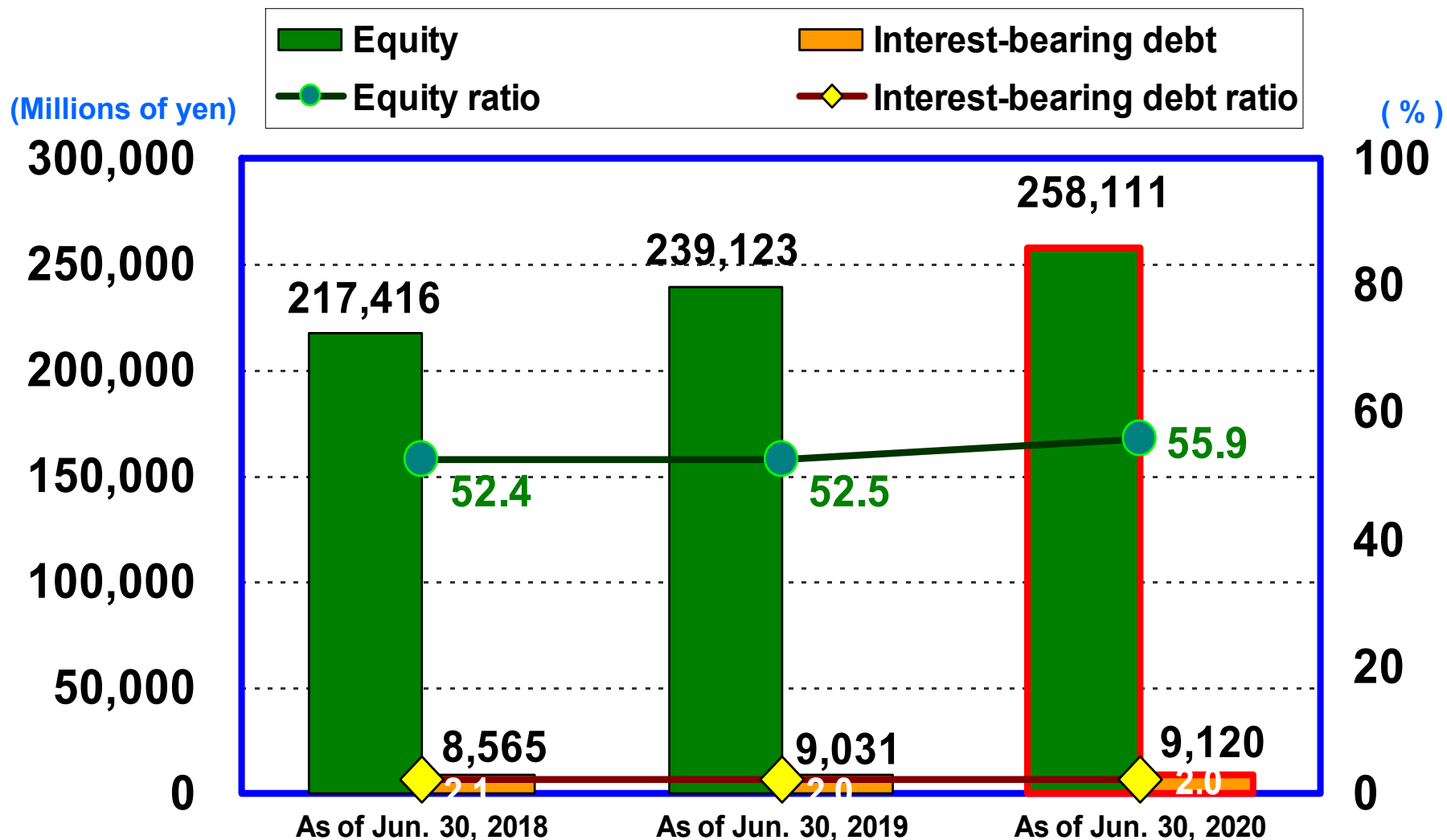
■ C/F from operating ■ C/F from investing ■ C/F from financing

(Billions of yen)



Consolidated

# Equity and Interest-bearing debt



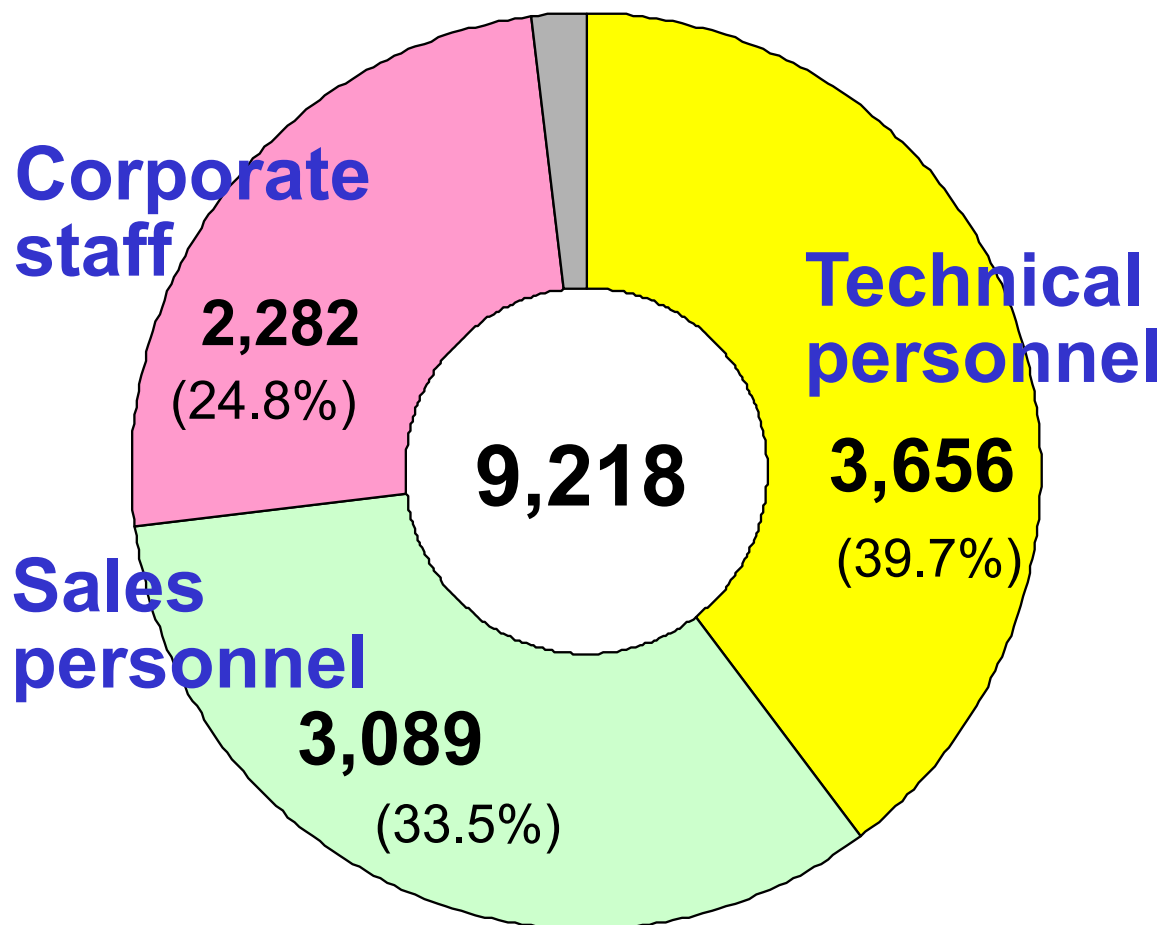


Consolidated

# Personnel organization (regular employees)

**Others 191 (2.1%)**

**As of Jun. 30, 2020**



# Key strategic business

<Amount of Sales>

(Millions of yen)

	2018 Jan. – Jun.	2019 Jan. – Jun.		2020 Jan. – Jun.			2020 <b>Apr. – Jun.</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>	80,298	82,726	+3.0%	<b>79,617</b>	<b>-3,108</b>	<b>-3.8%</b>	<b>36,670</b>	<b>-4,546</b>	<b>-11.0%</b>
<b>SMILE</b>	6,458	7,141	+10.6%	<b>5,849</b>	<b>-1,292</b>	<b>-18.1%</b>	<b>2,955</b>	<b>-1,480</b>	<b>-33.4%</b>
<b>ODS</b>	31,479	31,325	-0.5%	<b>27,460</b>	<b>-3,865</b>	<b>-12.3%</b>	<b>13,789</b>	<b>-3,305</b>	<b>-19.3%</b>
<b>OSM</b>	36,842	39,025	+5.9%	<b>40,382</b>	<b>+1,357</b>	<b>+3.5%</b>	<b>19,882</b>	<b>-612</b>	<b>-3.0%</b>

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

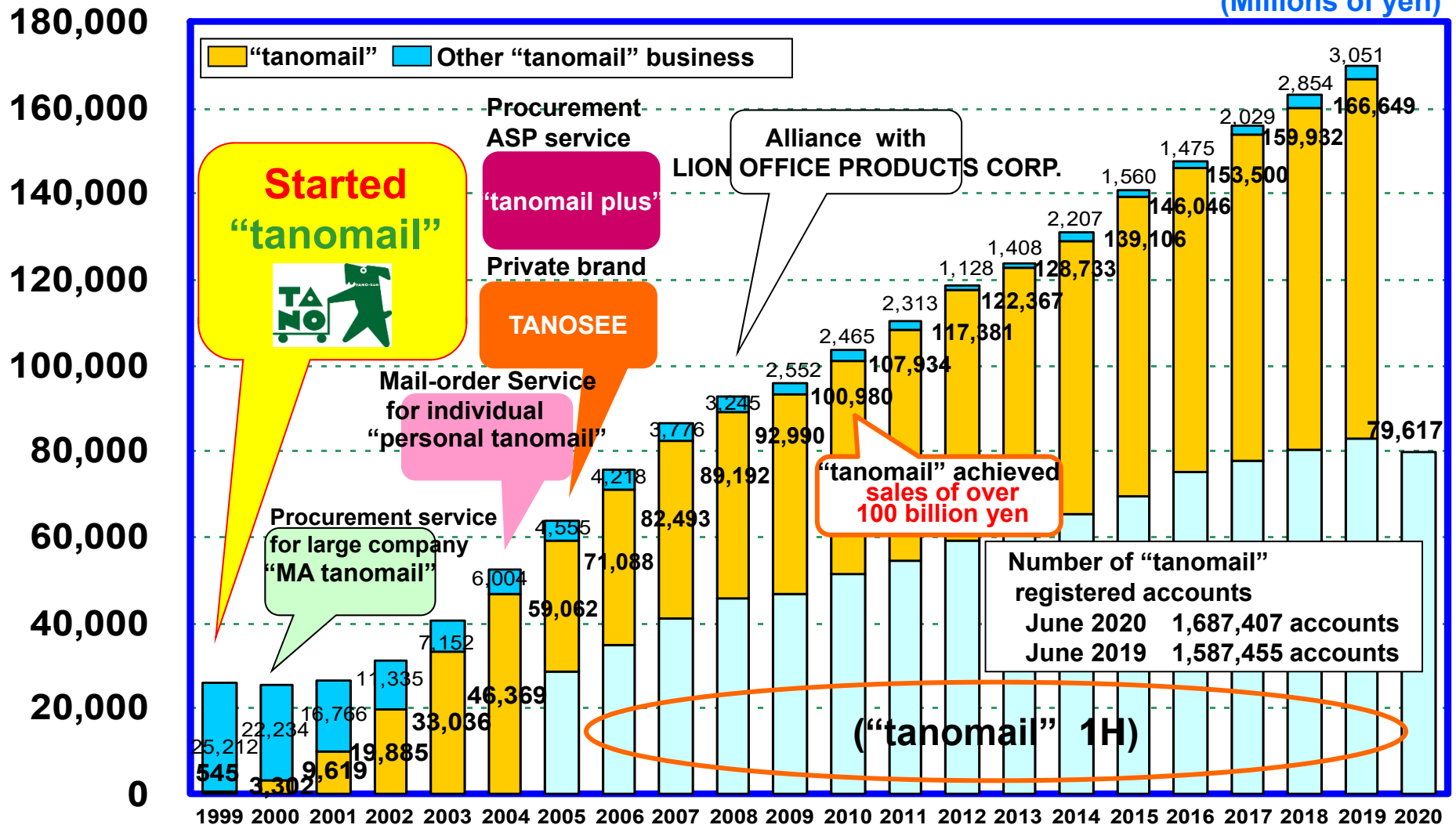
<As reference: Number of Sales>

(Units)

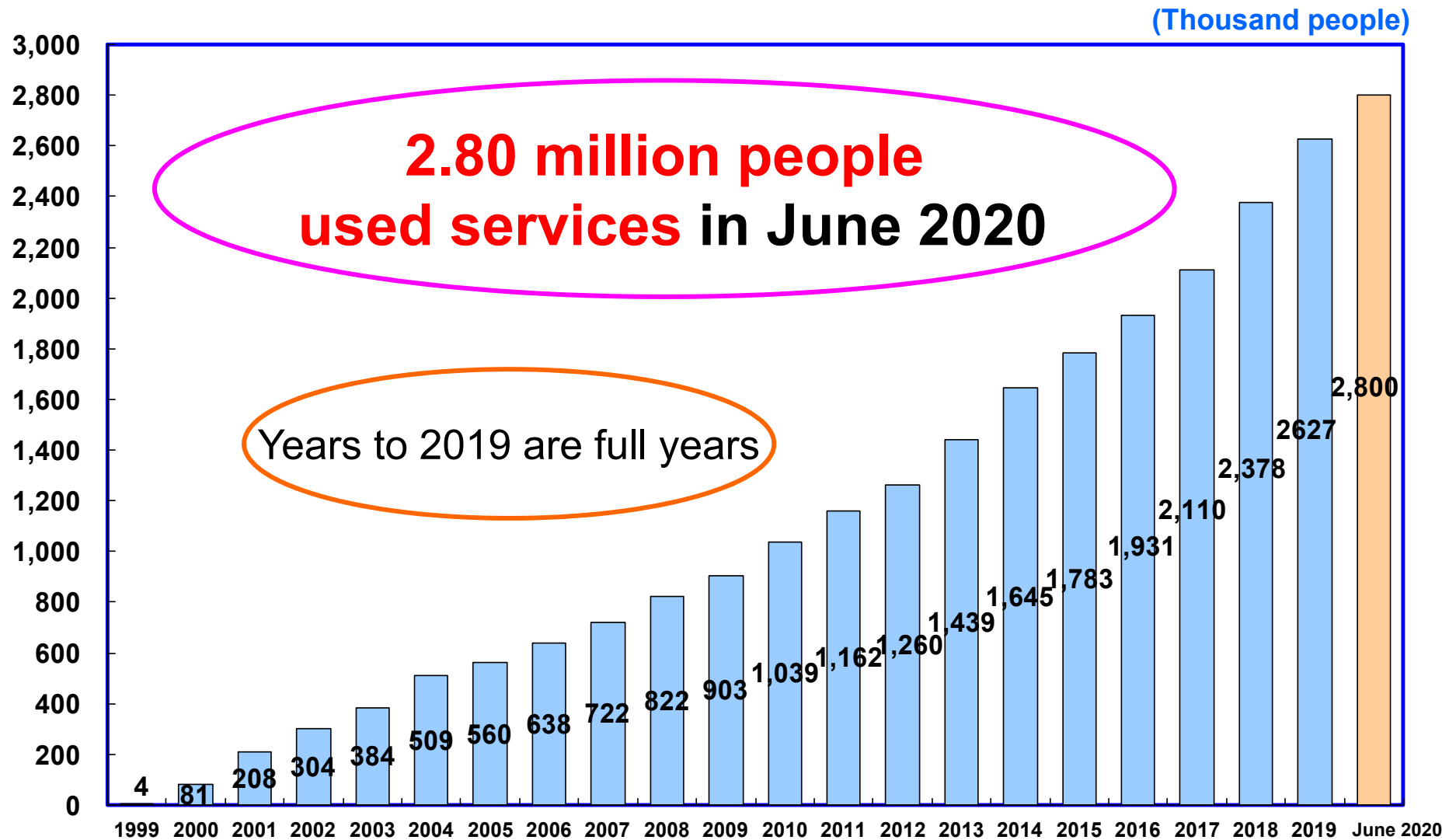
<b>Copier</b>	23,274	22,128	-4.9%	<b>19,000</b>	<b>-3,128</b>	<b>-14.1%</b>	<b>9,514</b>	<b>-2,107</b>	<b>-18.1%</b>
(of which Color copier)	22,553	21,458	-4.9%	<b>18,475</b>	<b>-2,983</b>	<b>-13.9%</b>	<b>9,216</b>	<b>-2,039</b>	<b>-18.1%</b>
<b>Server</b>	16,428	16,734	+1.9%	<b>13,531</b>	<b>-3,203</b>	<b>-19.1%</b>	<b>6,376</b>	<b>-2,104</b>	<b>-24.8%</b>
<b>PC</b>	561,599	871,683	+55.2%	<b>644,871</b>	<b>-226,812</b>	<b>-26.0%</b>	<b>270,091</b>	<b>-143,456</b>	<b>-34.7%</b>
<b>Client Total</b>	584,637	894,730	+53.0%	<b>668,661</b>	<b>-226,069</b>	<b>-25.3%</b>	<b>283,065</b>	<b>-142,166</b>	<b>-33.4%</b>

# Annual sales transition of "tanomail"

(Millions of yen)



# Number of Users of Main Web Services (ASP)



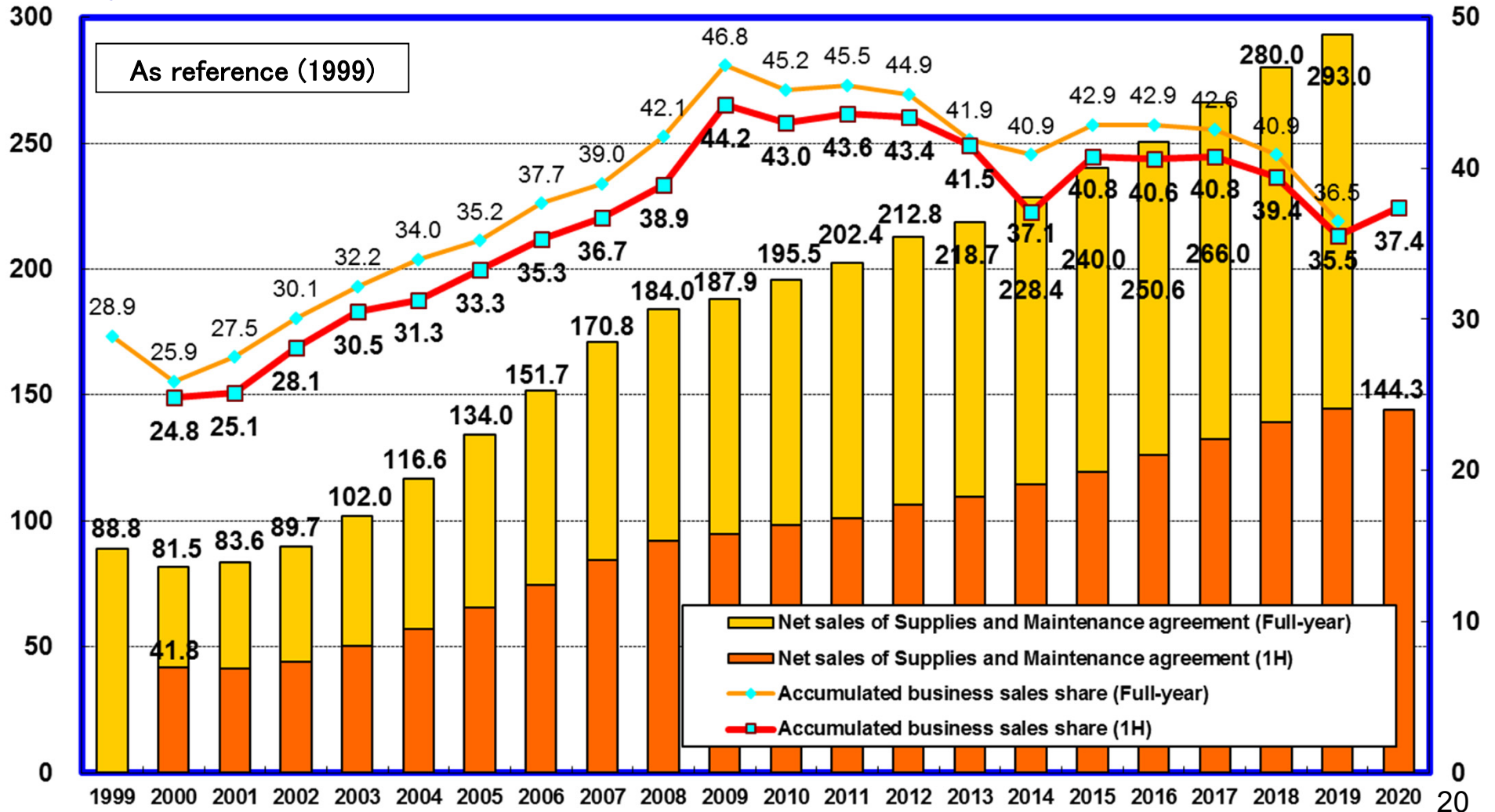
# Growth of accumulated business

## Net sales of Supplies and Maintenance agreement

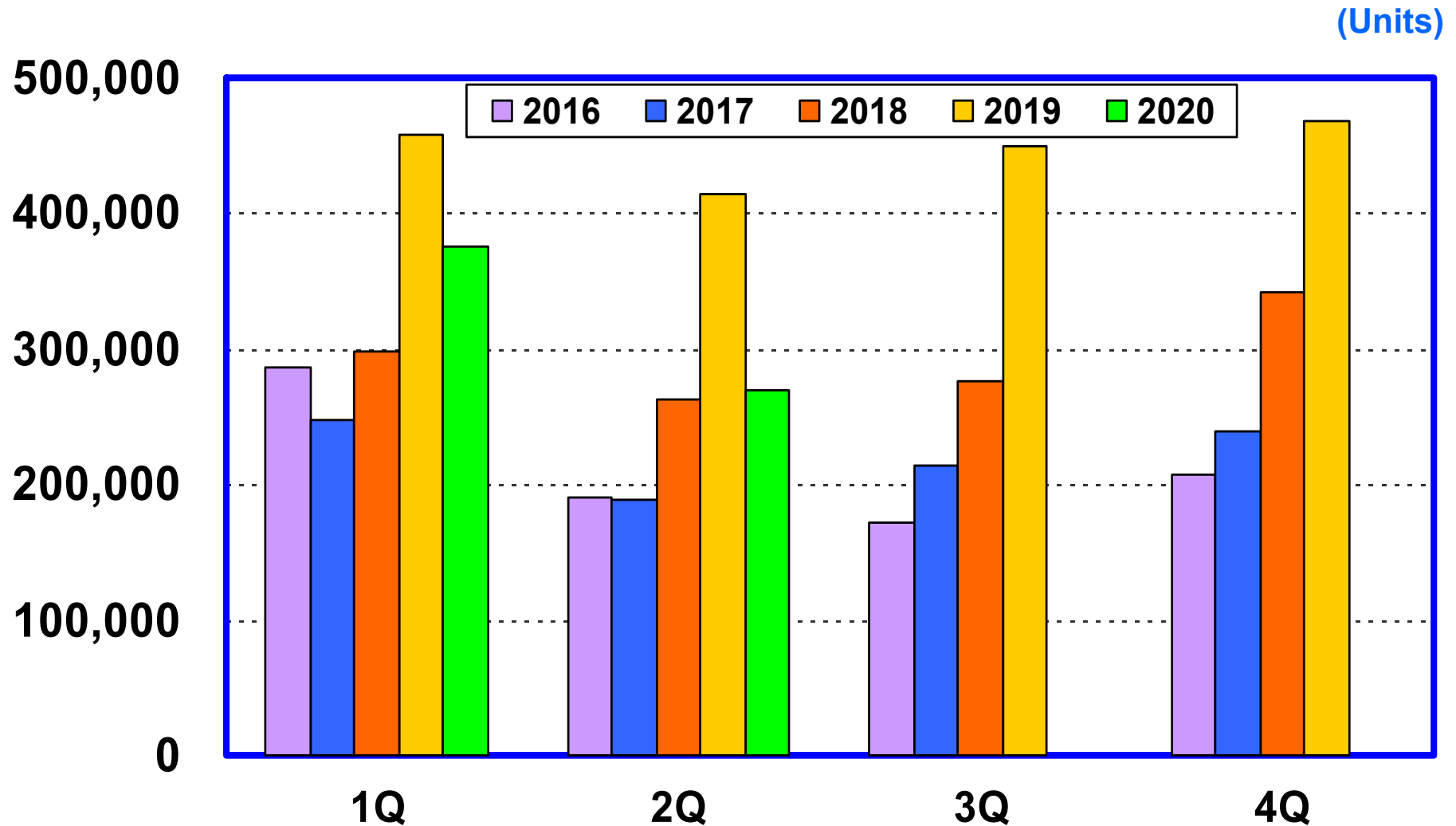
Net sales of Supplies and Maintenance agreement (Billions of yen)

## Accumulated business sales share

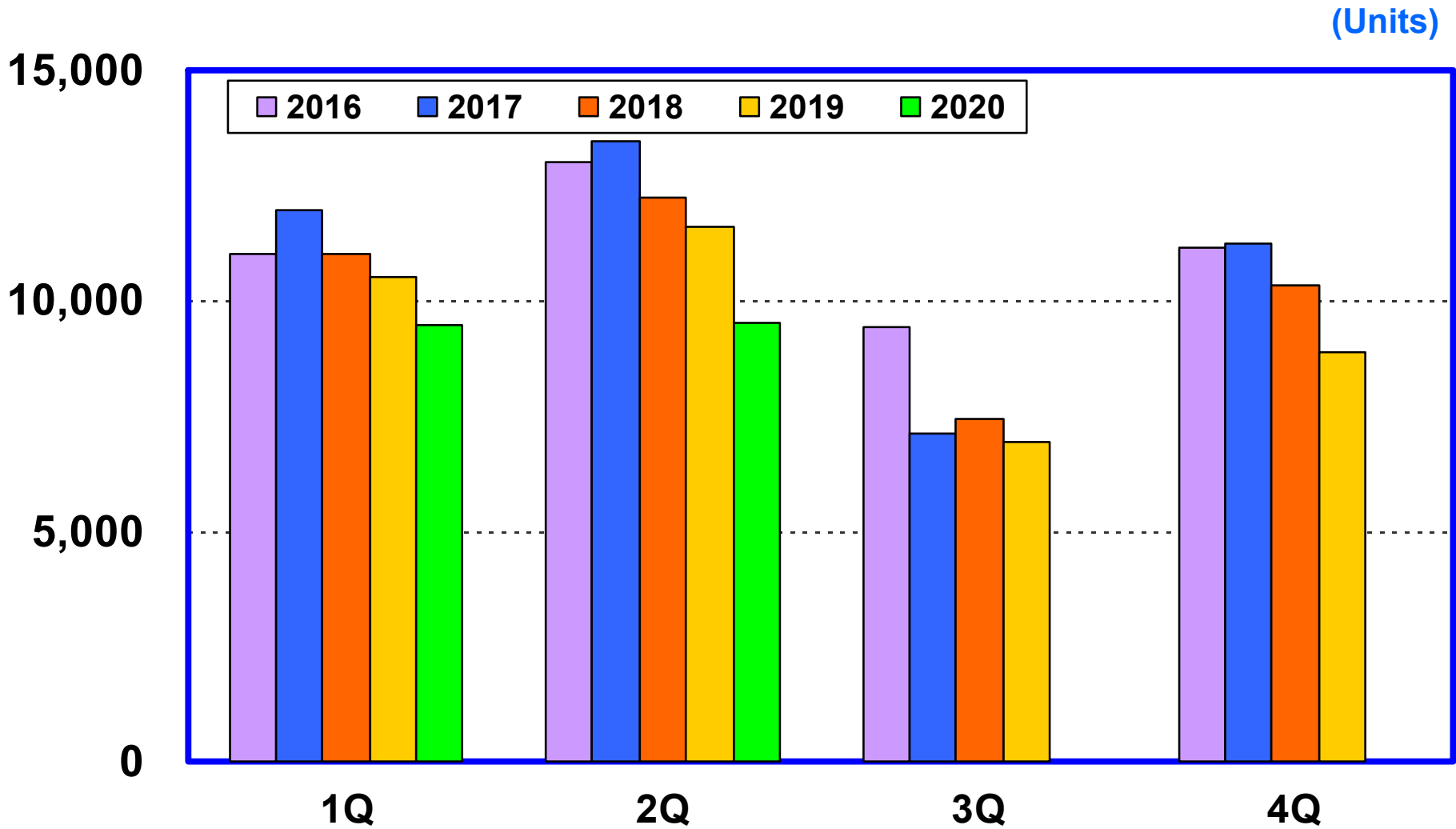
Accumulated business sales share (%)



# Quarterly Number of PCs Sold



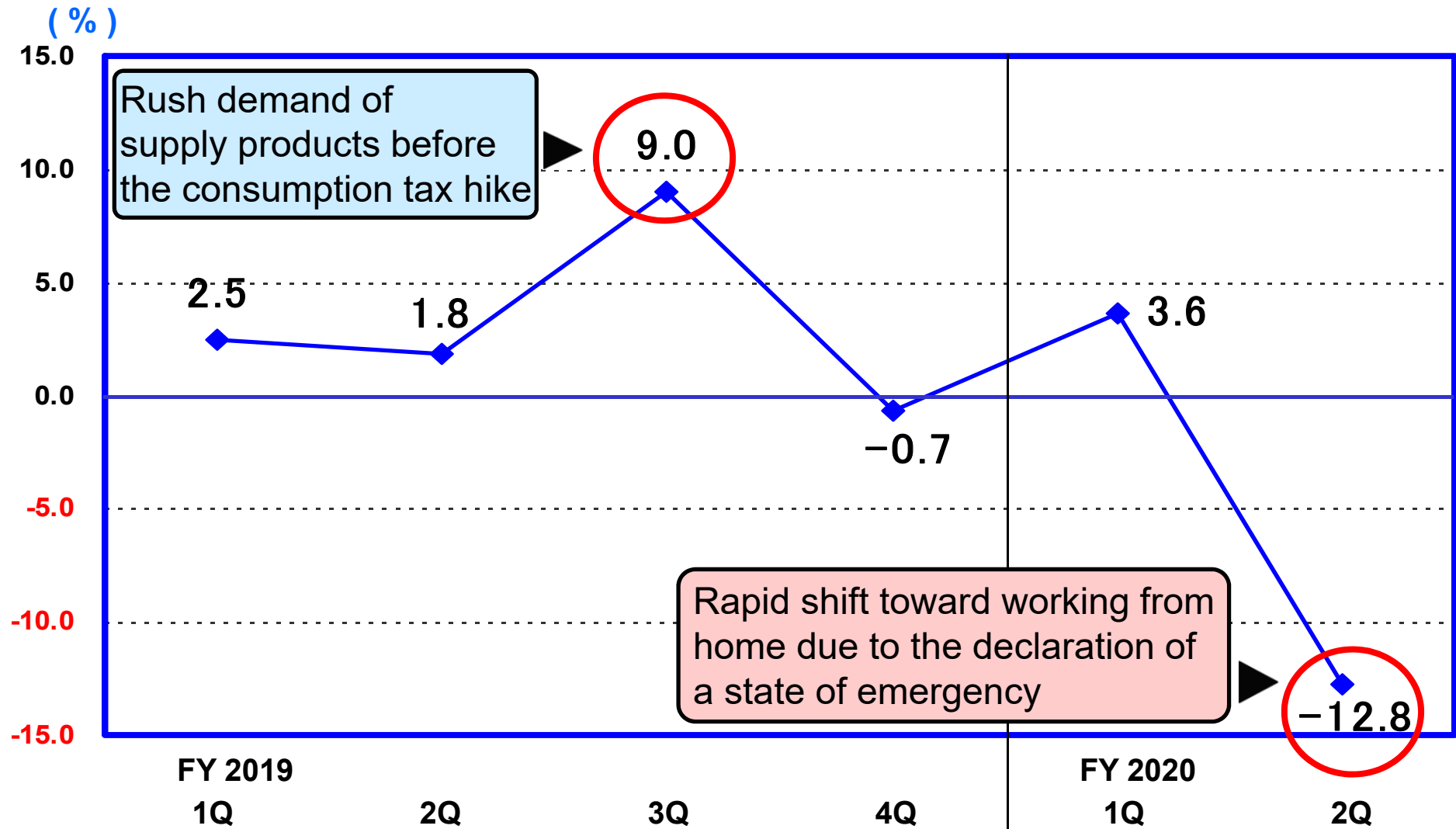
# Quarterly Number of Copiers Sold



Non-Consolidated

# Office supply and Copier maintenance services sales

## Changes in increase/decrease rate vs the previous year

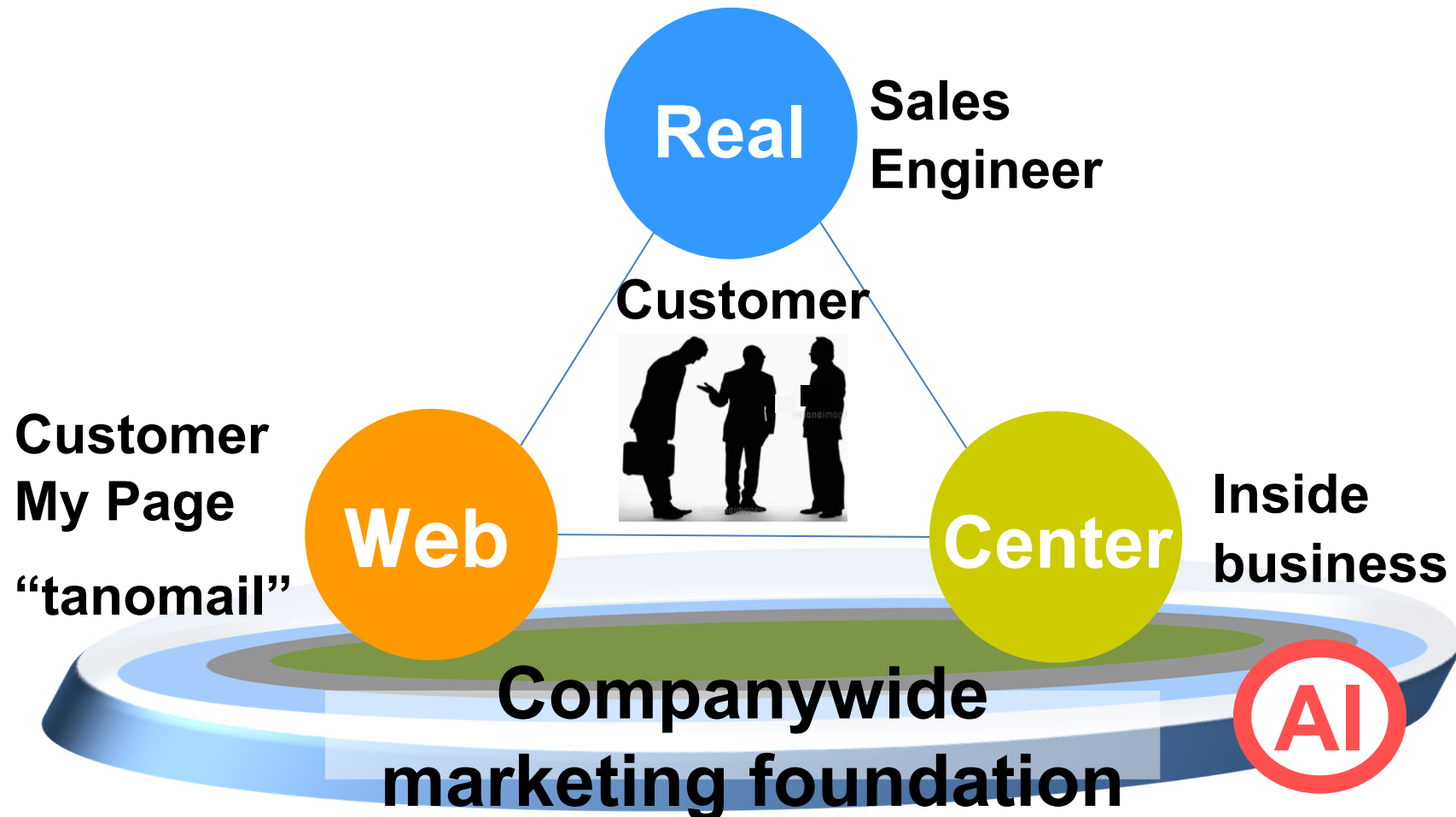




# Looking to the Future

# Utilize changes in the business environment as opportunities for growth

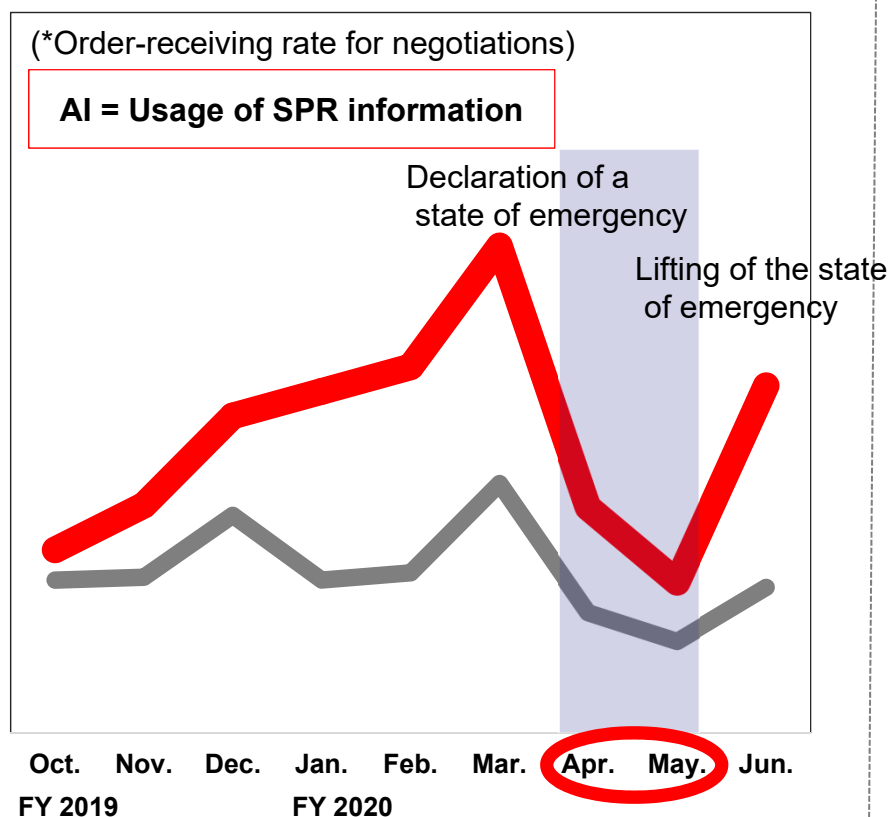
## Build new relationships with customers



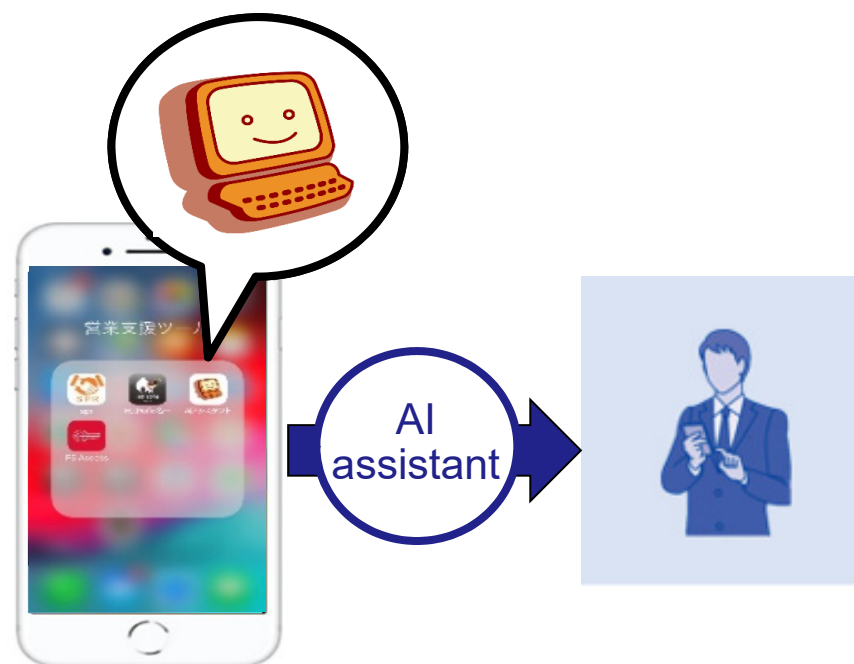
# Sales productivity improvement using AI

## 【 Sales activities through AI proposals 】

- AI order-receiving rate
- General order-receiving rate



## 【 AI assistant for iPhones 】

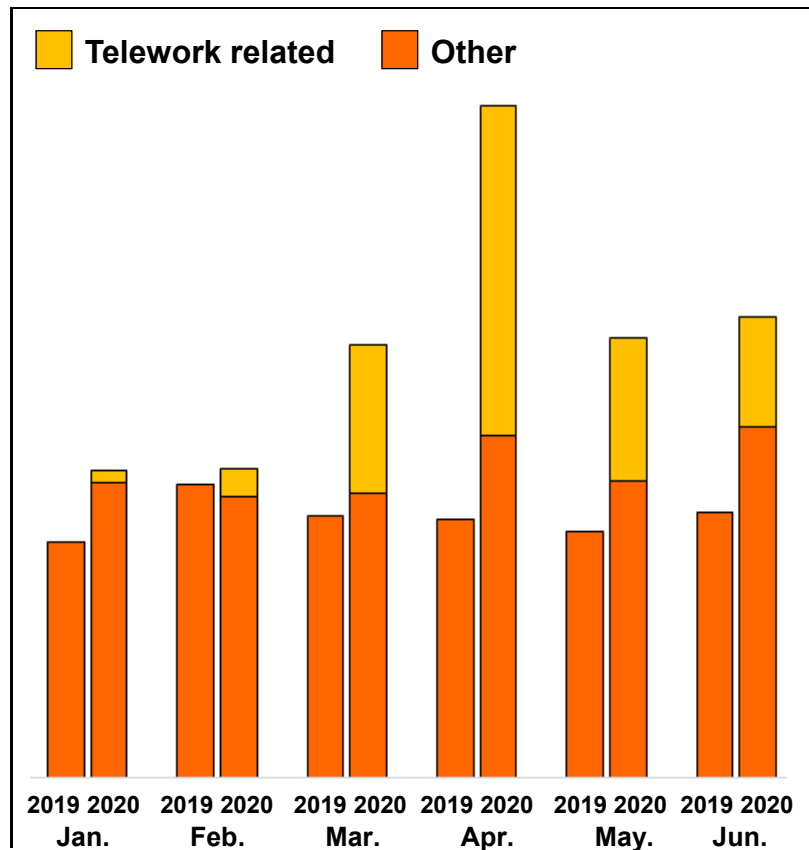


- Used by the majority of sales staff
- Number of usage : 30,000/month

# Inside Business Center

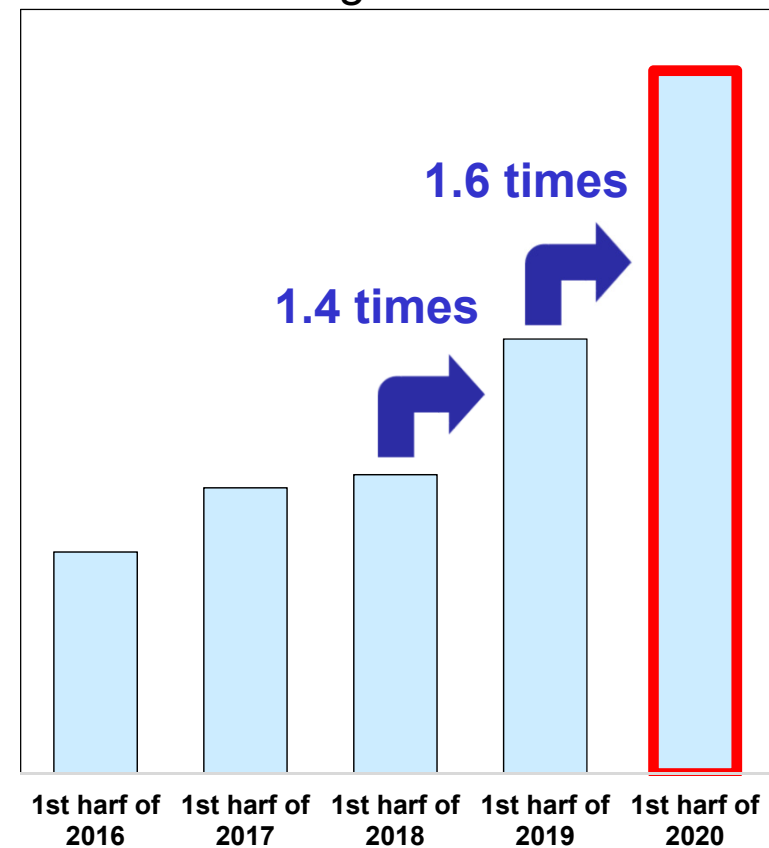
## 【 Number of inquiries 】

Telework triggering an increase in the number of consultations



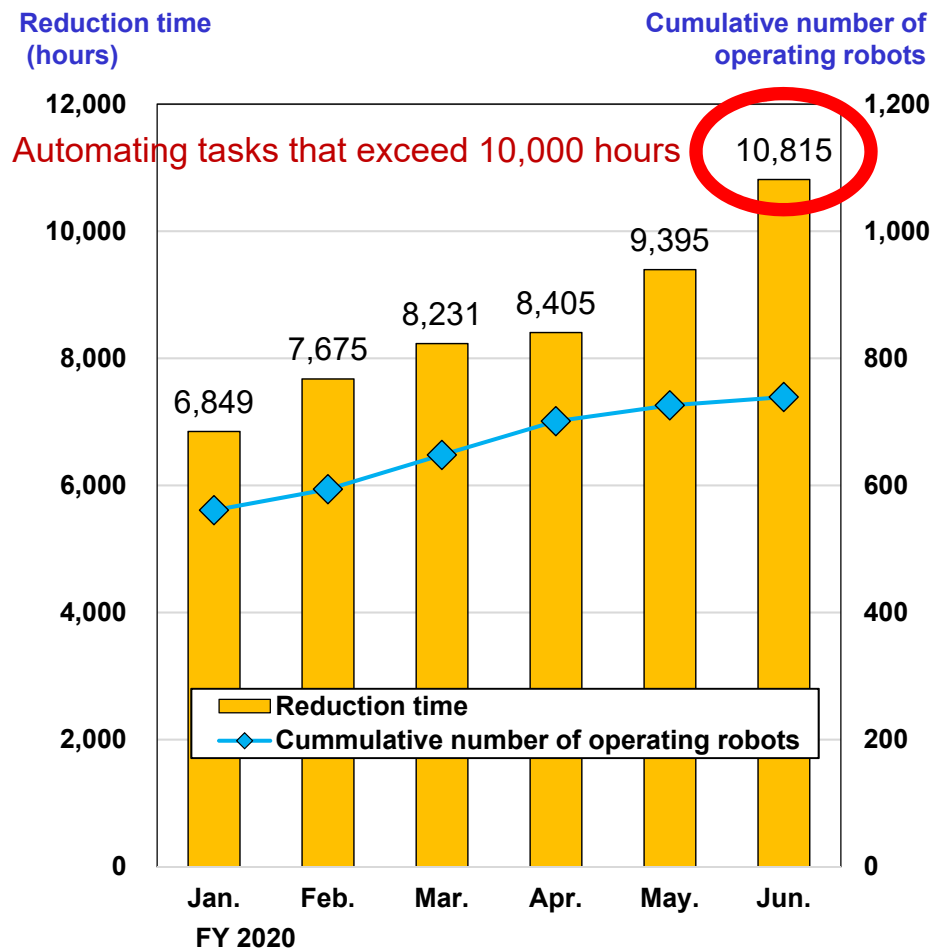
## 【 Number of accounts acquired 】

High growth to offset the decline in face-to-face negotiations



# Improving company-wide productivity by utilizing IT

## 【RPA】



## 【Chatbot】



### List of chatbots

For internal

For external

List page (AI room)

<b>Product search</b> <small>製品のイントラ、提案ツール、価格表、問い合わせ先を回答</small>	<b>Tayoreru hikari</b> <small>たよれーるひかりについての社内問い合わせに対応</small>	<b>Tanomail</b> <small>たのめーる (社外)</small>	<b>MFP support</b> <small>複合機の技術的な質問に回答</small>
<b>Office 365 support</b> <small>Office 365のご利用開始、設定等の技術的な質問に回答</small>	<b>Everywhere cabinet support</b> <small>どこでもキャビネットの技術的な質問に回答</small>	<b>NEC business phone support</b> <small>NEC ビジネスフォン (Aspire シリーズ) の技術的な質問に回答</small>	<b>α-mail 2 support</b> <small>アルファメール 2 の技術的な質問に回答</small>

Chatbots installed (as of June 30)

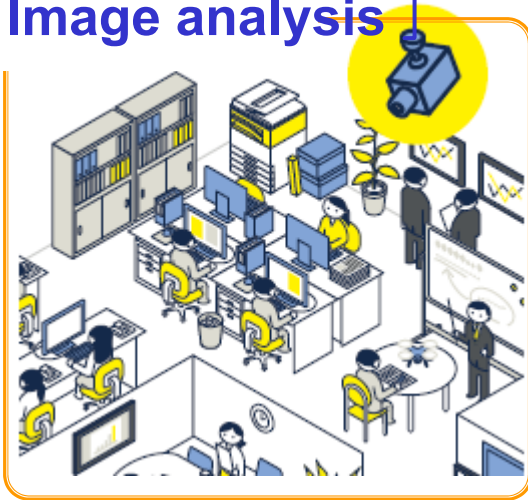
Chatbots in operation: 82

Number of monthly inquiries:  
approximately 90,000

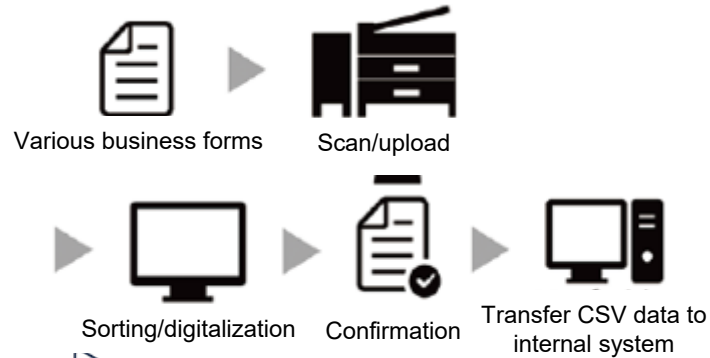
Deliver in-house experience and know-how to customers

# Lineup of various AI solutions

## [ Image analysis ]



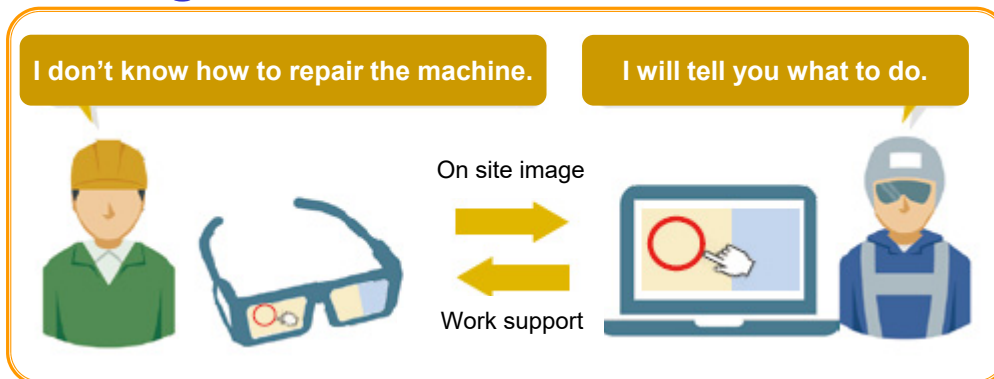
## [ AI OCR ]



## [ Robots / IoT ]



## [ Smart glasses ]



## [ Chatbot ]



## [ RPA ]



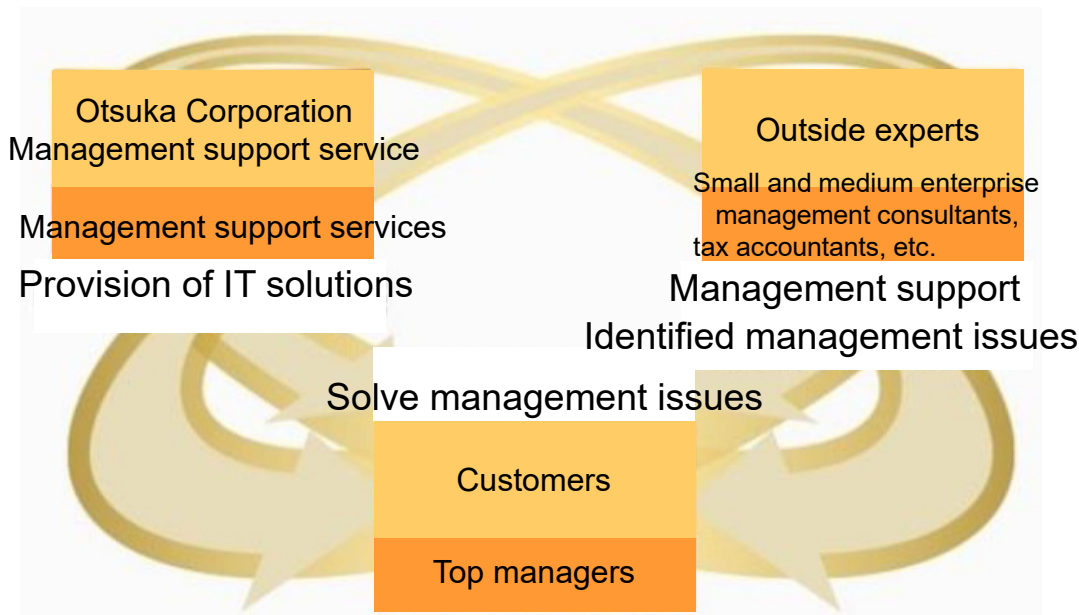
## [ AI translation ]



# Management Support Services

**Provide support for solving management issues  
for medium and small businesses.**

**【 Strengthen collaboration with outside experts 】 【 A variety of support menus 】**



**[Otsuka's management support service menu]**

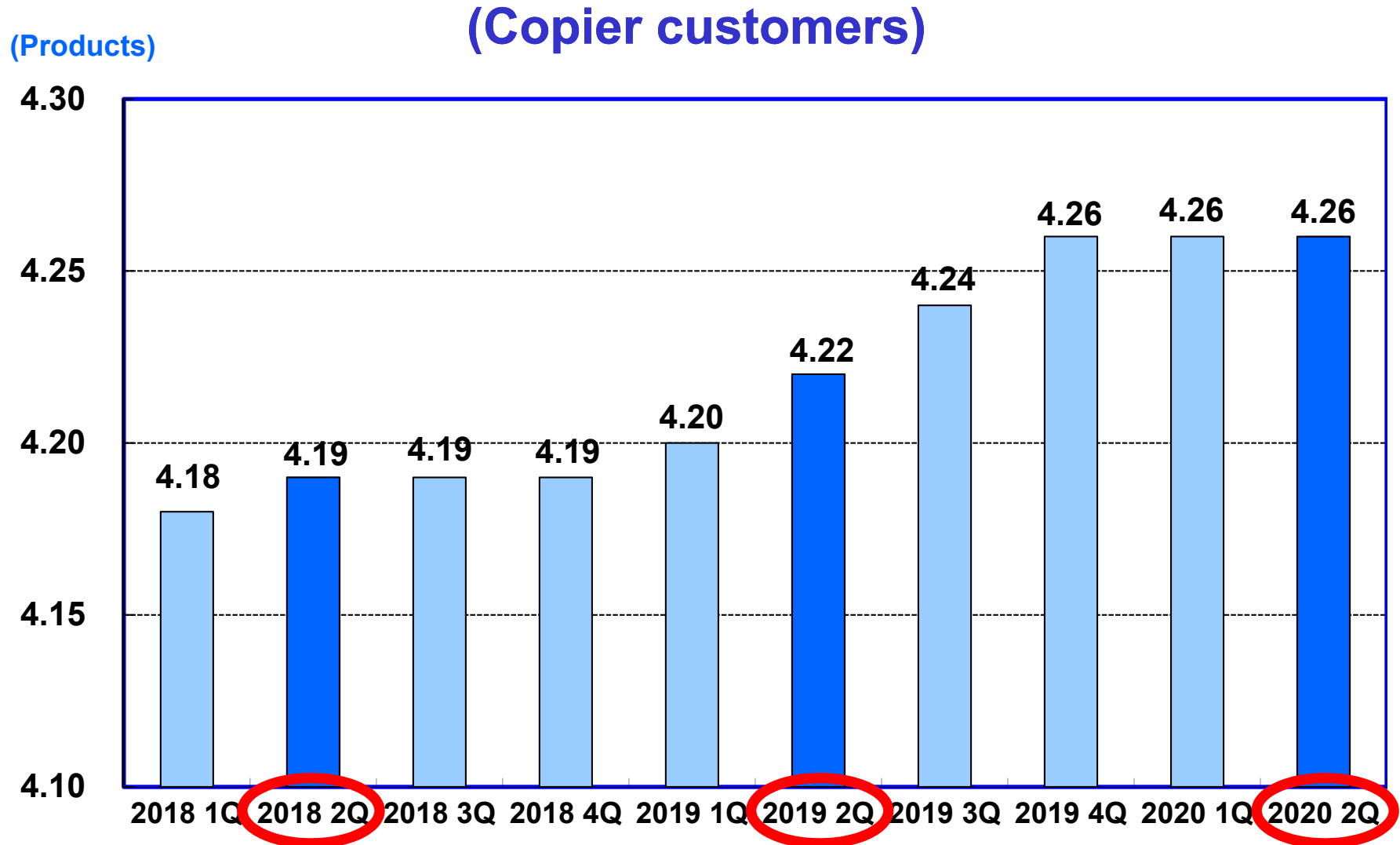
- LEGO®SERIOUS PLAY®
- Team-building improvement support service
- Motivation improvement support service
- Work reform consulting
- New business creation support service
- Management leadership improvement support service
- Female empowerment support service
- Internal control support consulting
- AI/IoT data utilization service
- Procurement/purchasing diagnostic service
- Cost reduction support service

**[Management support service events]**

- Forums for top managers
- Others

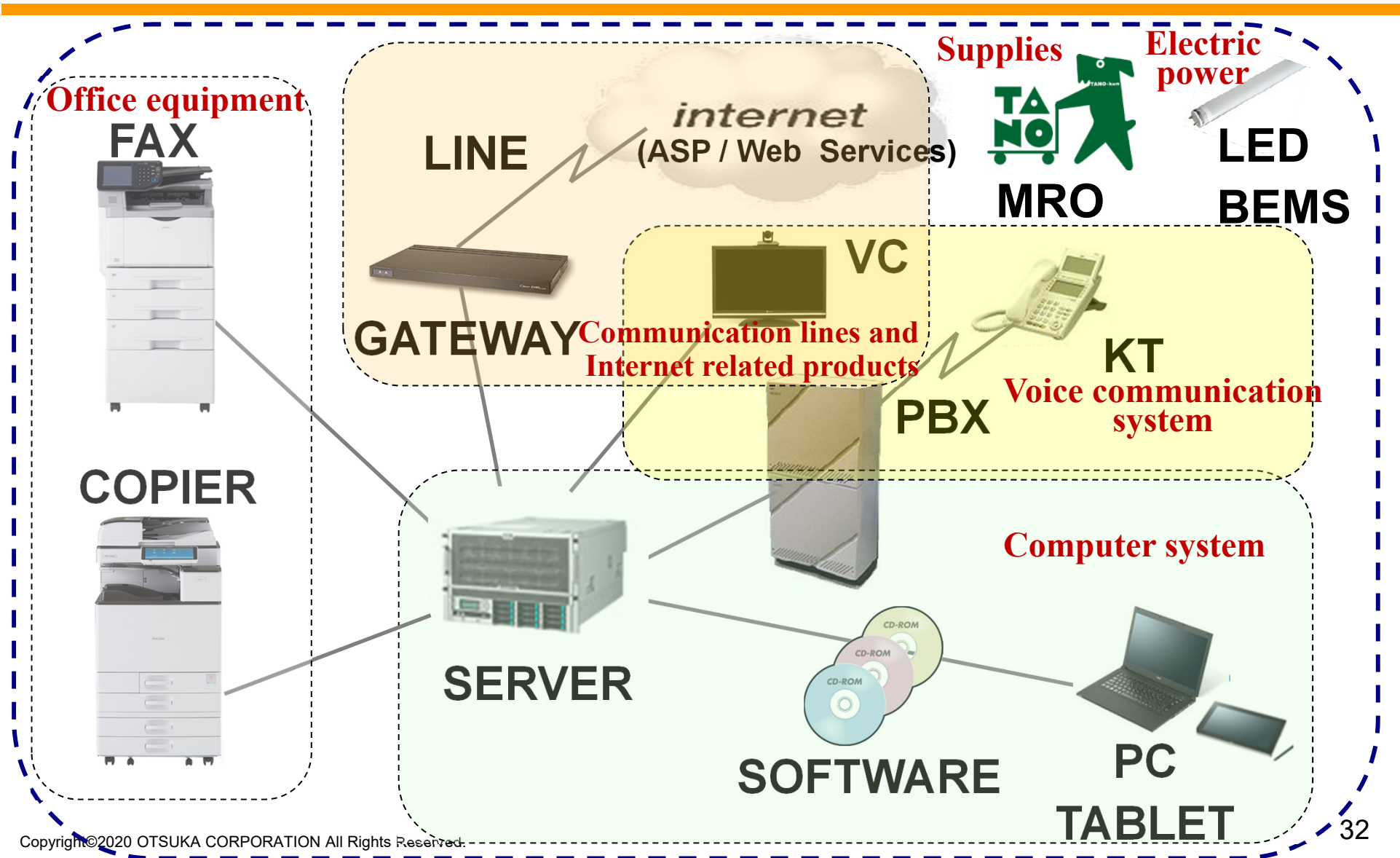
Non-Consolidated

# Trends in the number of products per one company





# OTSUKA CORPORATION for the Entire Office



# 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%.**

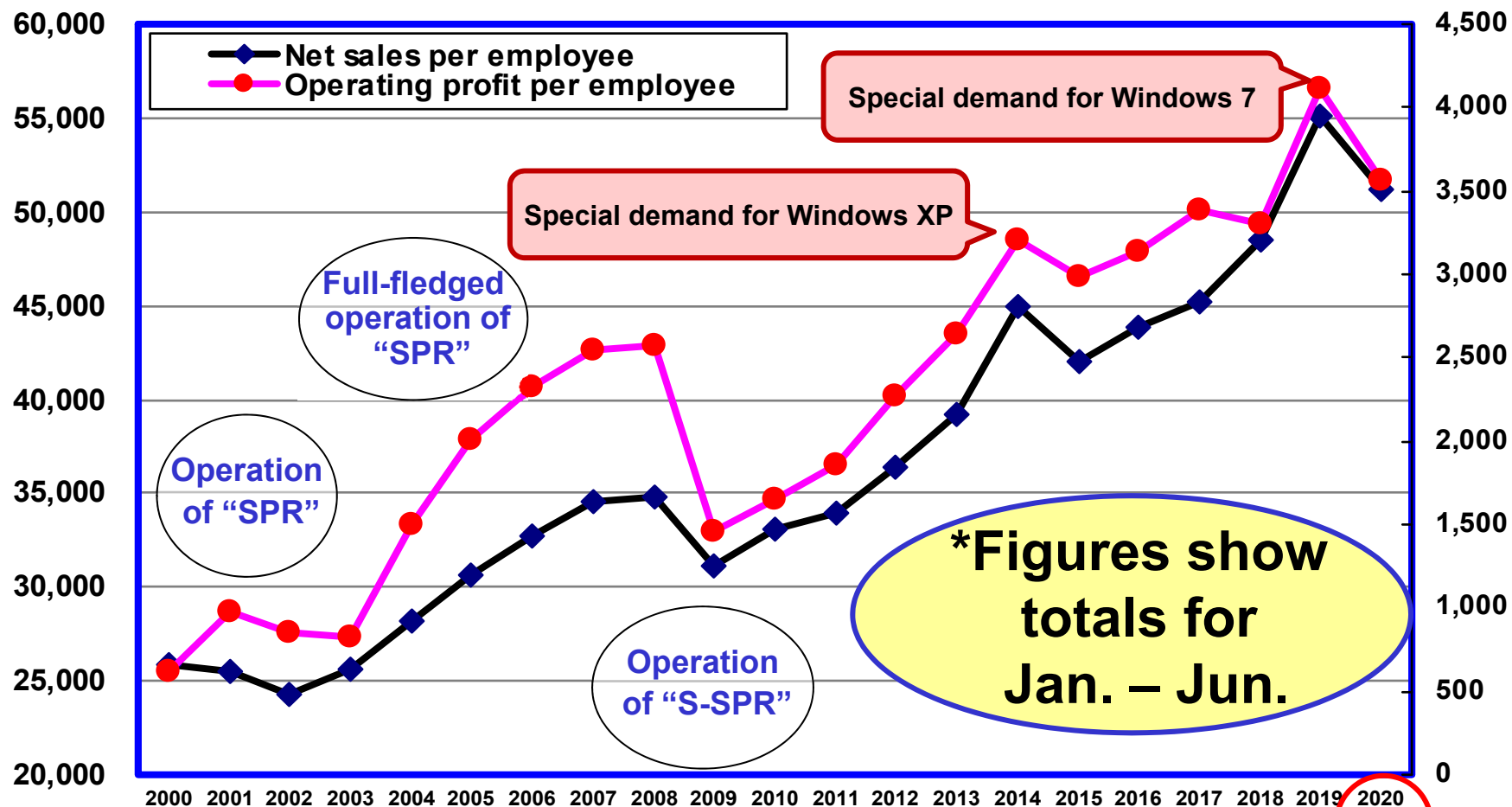
- **Cultivate new demand by utilizing customer information**
- **Effective use of people/materials/money to improve per head productivity**

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)

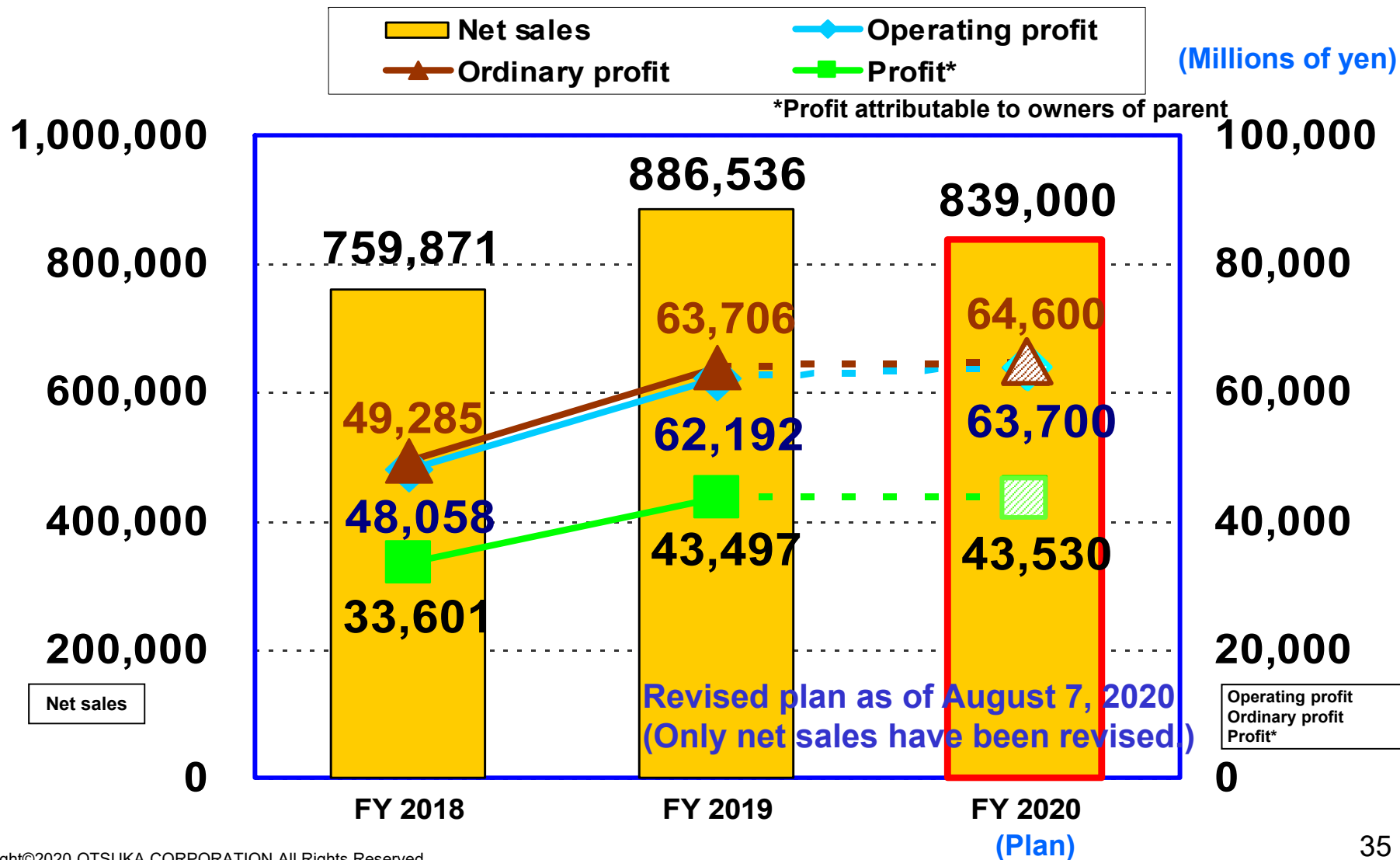


Number of employees  
at the end of June

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 7,529

Consolidated

# Plans of Net sales and profit



# Announced Revised Plan

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## ■ Net sales

### Downward revision of 25 billion yen

- Revised sales forecast mainly for supply products and copier maintenance

## ■ Operating profit / ordinary profit / profit attributable to owners of parent

### Based on the following, leave the initial plan unchanged that was announced at the beginning of the fiscal year.

- Operating profit falling short of plan by approximately 5.7 billion yen in the first half of the fiscal year
- Operating profit expected to exceed approximately 3.0 billion yen in July alone

## ■ Dividends

### In consideration of the overall financial condition, leave the initial plan unchanged that was announced at the beginning of the fiscal year.

- **By closely monitoring the situation in the third quarter (July to September), we will quickly make announcements if revisions are needed.**



# Cautionary statement

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1. This material is intended to provide information about the business performance of the 2nd quarter of fiscal year 2020 and strategy of the OTSUKA CORPORATION and Group companies. It is not intended and should not be construed as an inducement to purchase or sell stocks of OTSUKA CORPORATION.
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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