



**Fiscal year ending December 2020**  
**Nine months** (January – September)  
**Business Results**

**November 10, 2020**

**OTSUKA CORPORATION**

# Summary of Business Results, January – September, 2020

(Millions of yen)

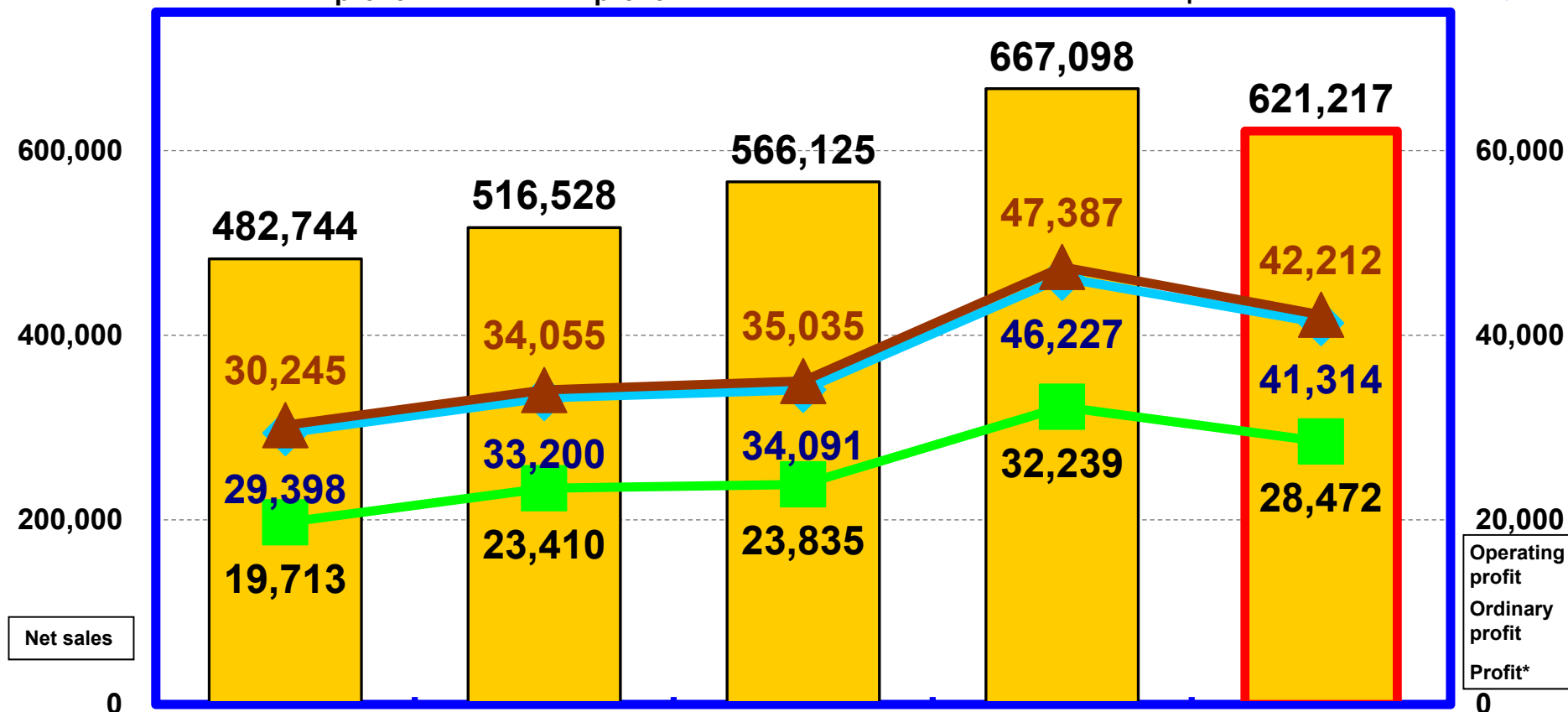
	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	621,217	-6.9%	554,519	-7.9%
Operating profit	41,314	-10.6%	36,376	-11.9%
Ordinary profit	42,212	-10.9%	38,371	-10.8%
Profit*	28,472	-11.7%	26,619	-10.8%

\*Profit attributable to owners of parent

Consolidated

# Net sales and Profits

■ Net sales   
 ◆ Operating profit   
 ▲ Ordinary profit   
 ■ Profit\*  
\*Profit attributable to owners of parent
(Millions of yen)



(Change from the previous year)

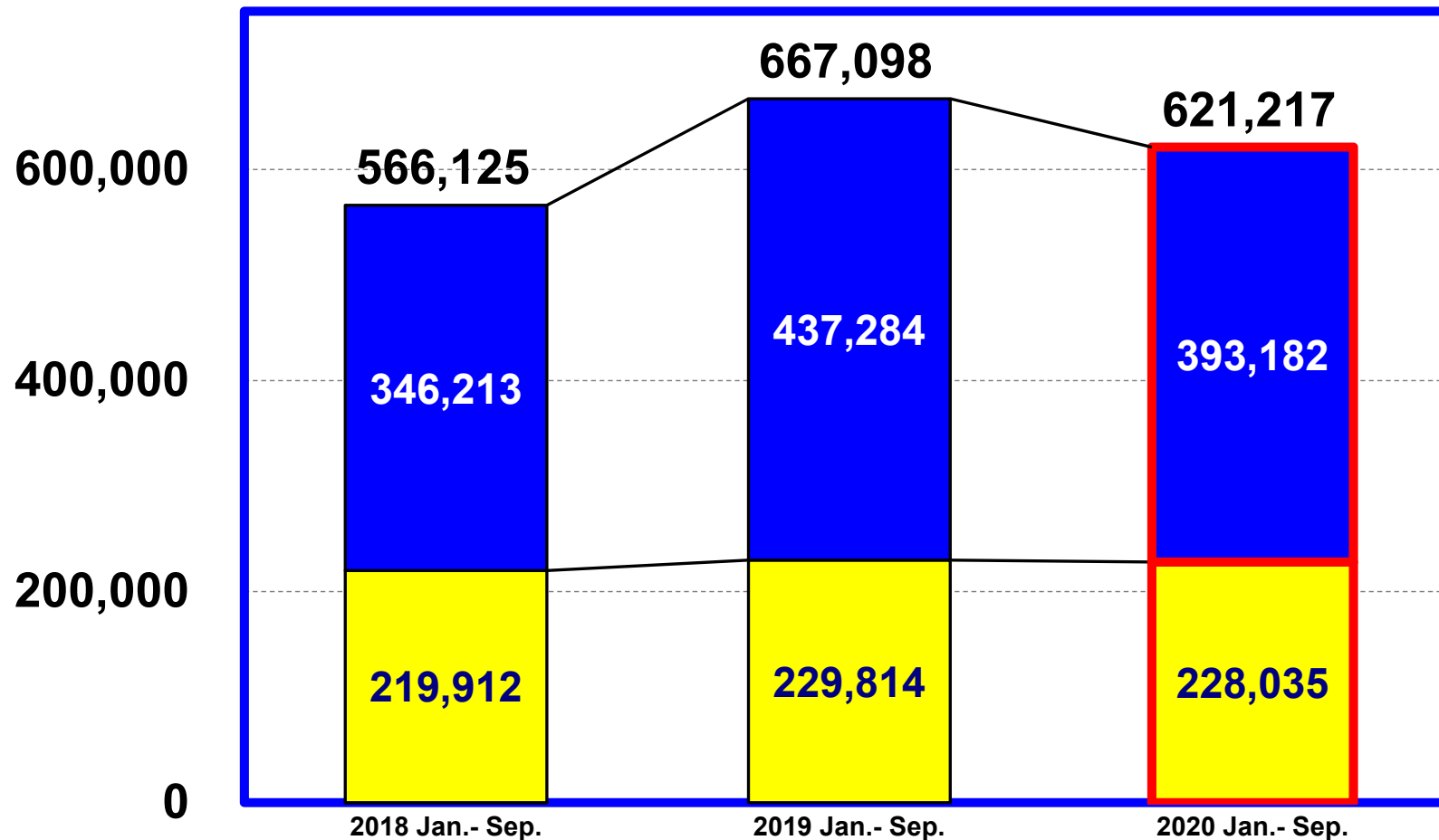
	2016 Jan.- Sep.	2017 Jan.- Sep.	2018 Jan.- Sep.	2019 Jan.- Sep.	2020 Jan.- Sep.
Net sales	+6.4%	+7.0%	+9.6%	+17.8%	-6.9%
Operating profit	+5.4%	+12.9%	+2.7%	+35.6%	-10.6%

Consolidated

# Net sales by segments

■ SI business ■ S&S business

(Millions of yen)



# January-September Sales Increase/Decrease Factors

## ■ SI sales

**393.1** billion yen

**Difference to Last year**  
**(-44.1** billion yen)

- Restrictions on face-to-face sales activities due to COVID-19.
- Increase in IT demand due to expanded use of telework.

## ■ S&S sales

**228.0** billion yen

**Difference to Last year**  
**(-1.7** billion yen)

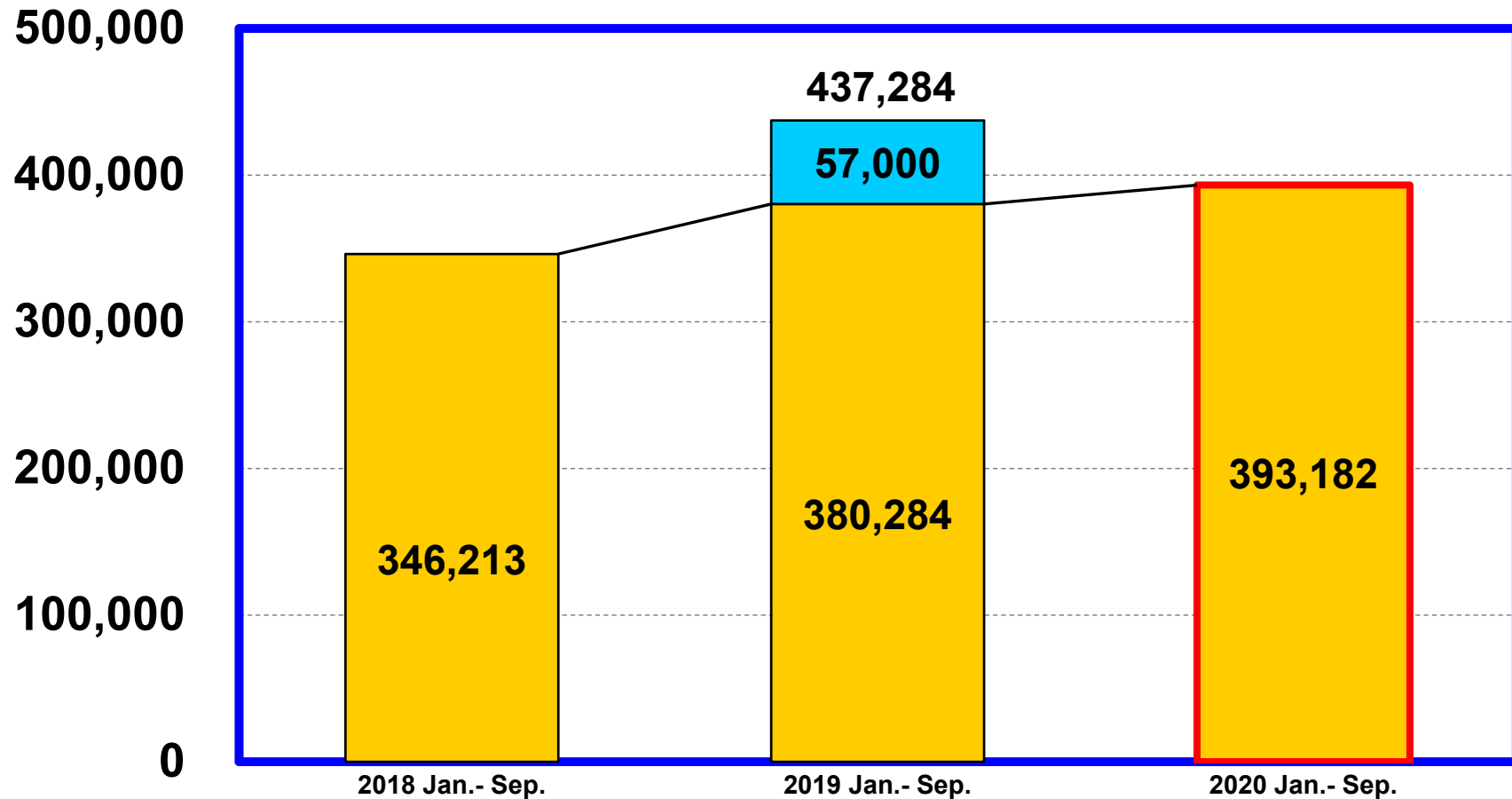
- Reaction to last-minute surge in demand prior to the consumption tax increase in the previous year.
- Office population is decreasing due to the increase in home and satellite office use.
- Copier maintenance services declined below the previous year due to the impact of a decrease in office use.
- Telework-related services and maintenance services trending favorably.

Consolidated

# 3-Year Trend in SI sales

SI sales (excluding special demand for Windows 7 EOS)    Special demand for Windows 7 EOS

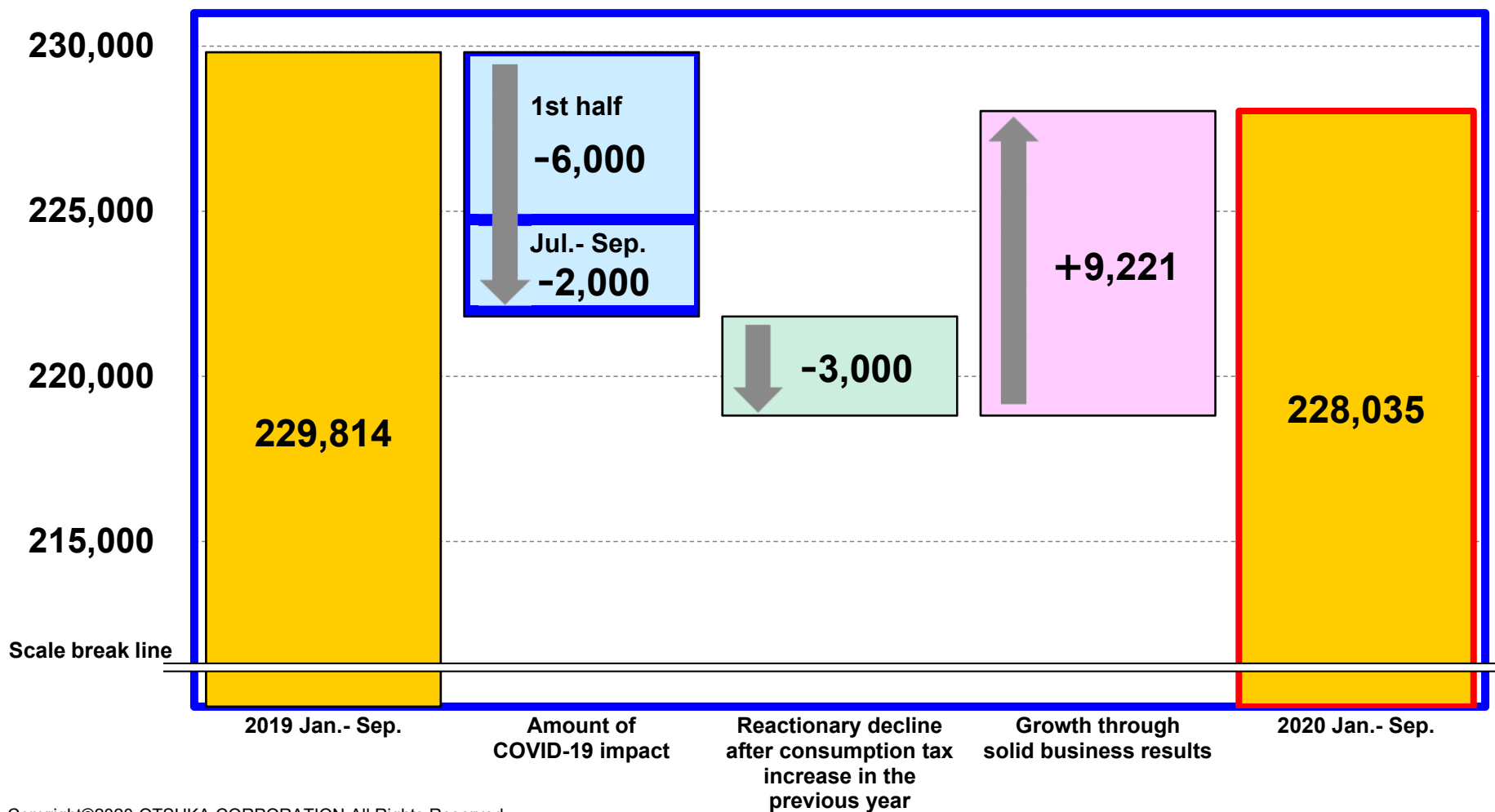
(Millions of yen)



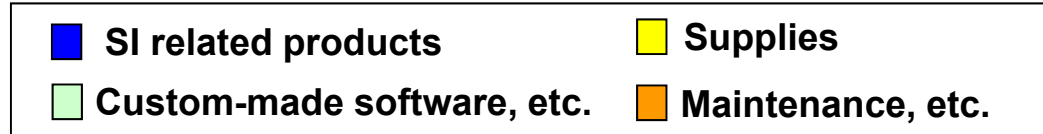
Consolidated

# S&S Sales and Increase/Decrease by Factor

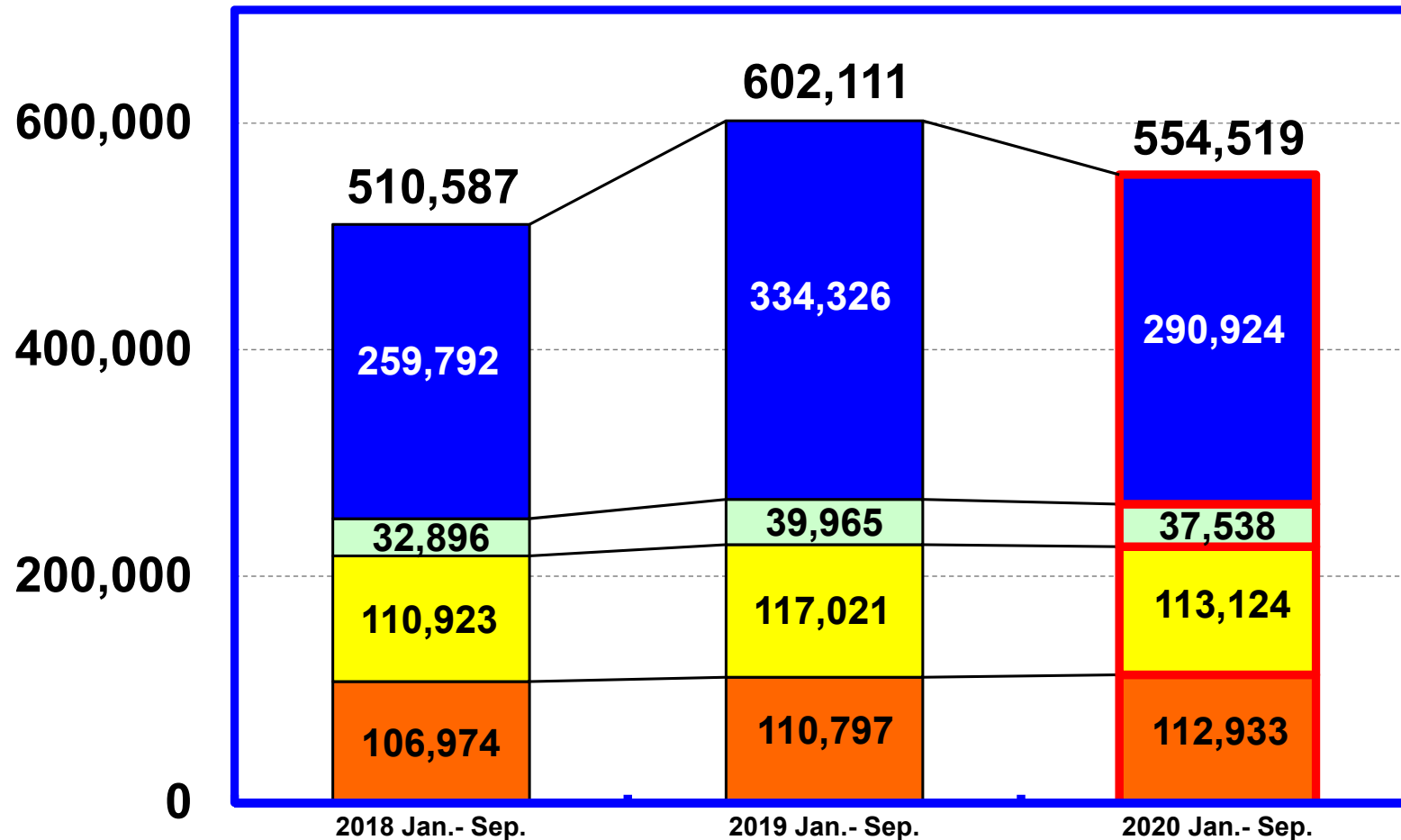
(Millions of yen)



# Net sales by 4 segments



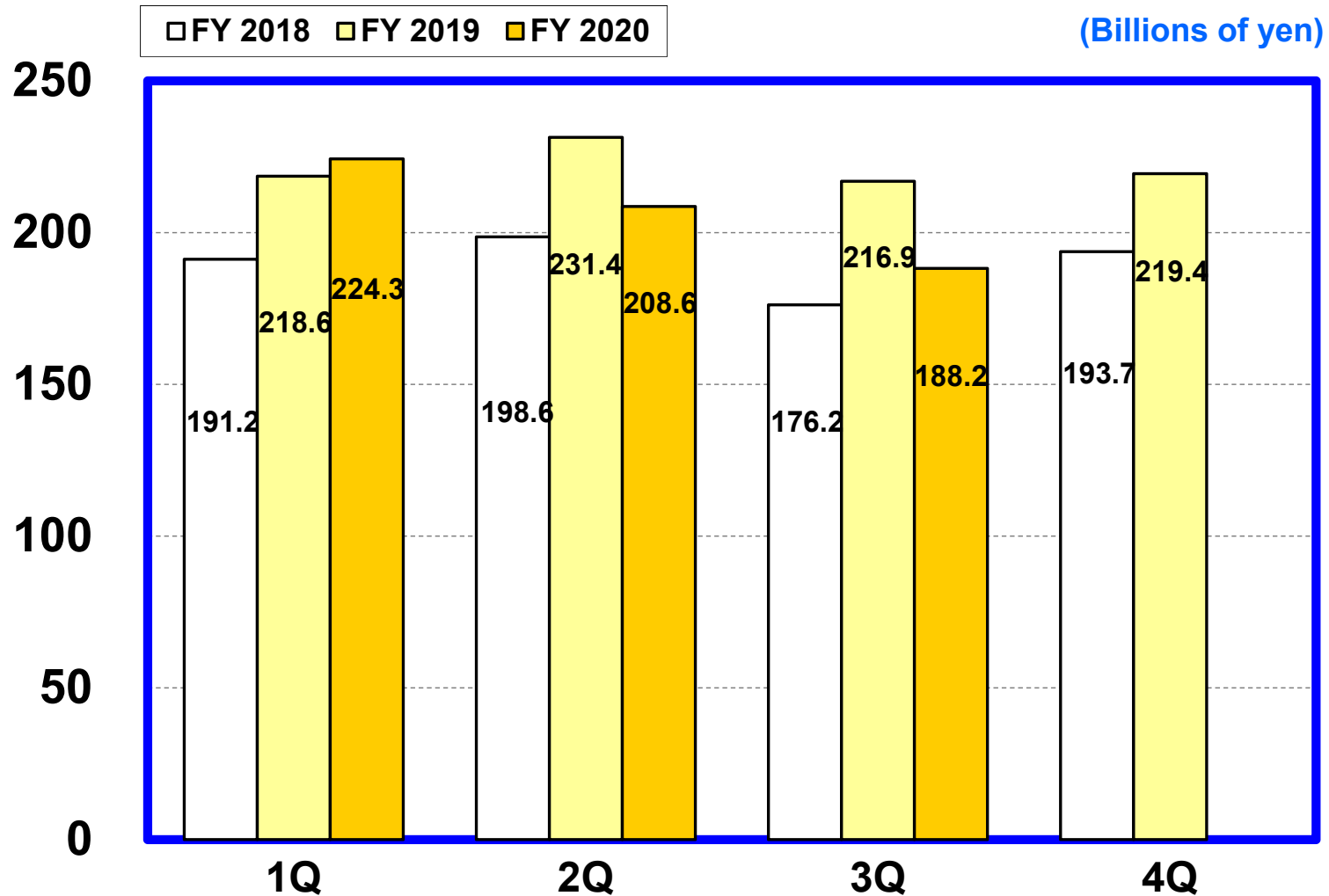
(Millions of yen)





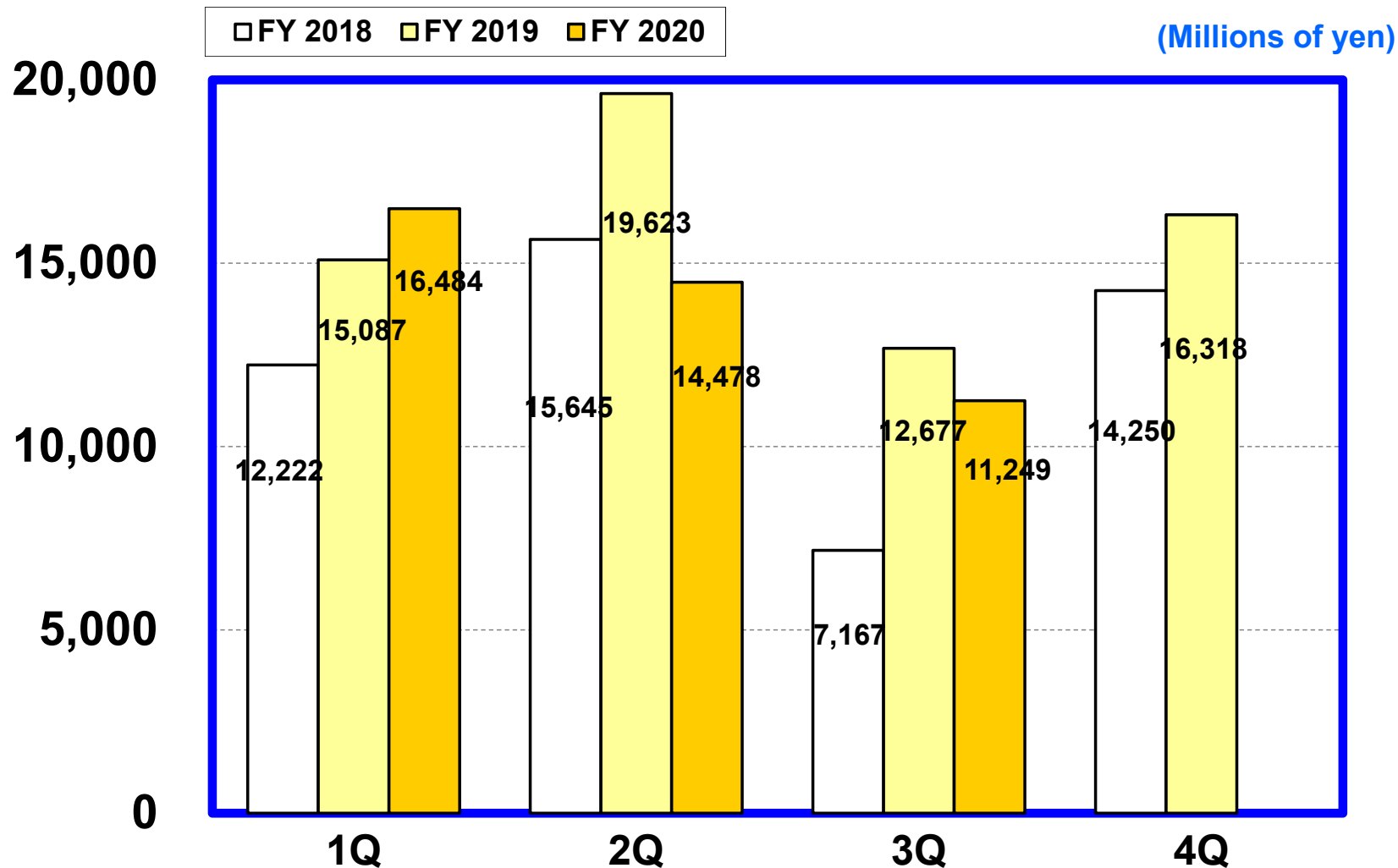
Consolidated

# Quarterly change of Net sales



Consolidated

# Quarterly change of Ordinary profit



# Summary of Business Results, July – September, 2020

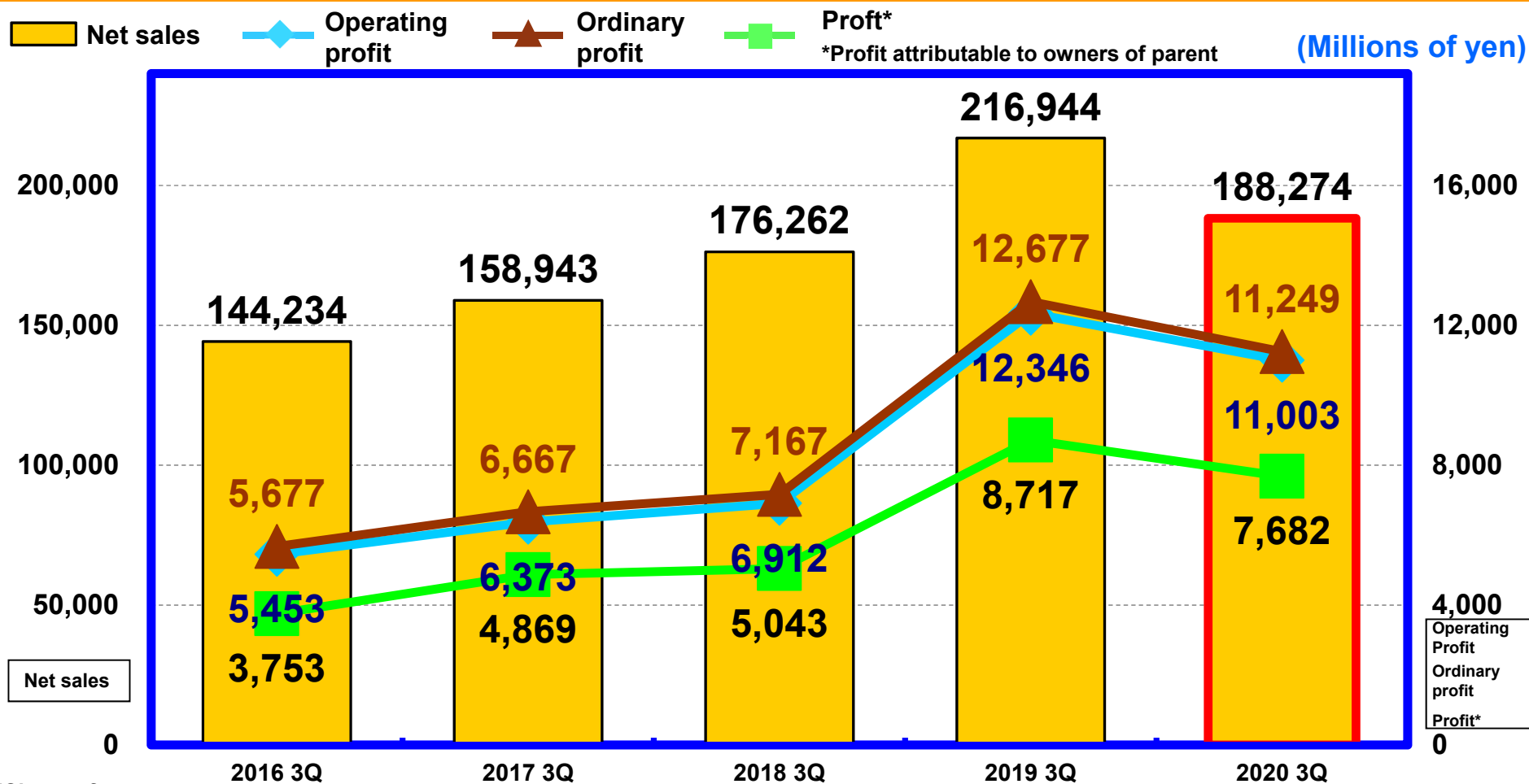
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	188,274	-13.2%	168,820	-13.3%
Operating profit	11,003	-10.9%	9,584	-11.8%
Ordinary profit	11,249	-11.3%	9,842	-11.2%
Profit*	7,682	-11.9%	6,835	-11.4%

\*Profit attributable to owners of parent

# Net sales and Profits, July – September

Consolidated

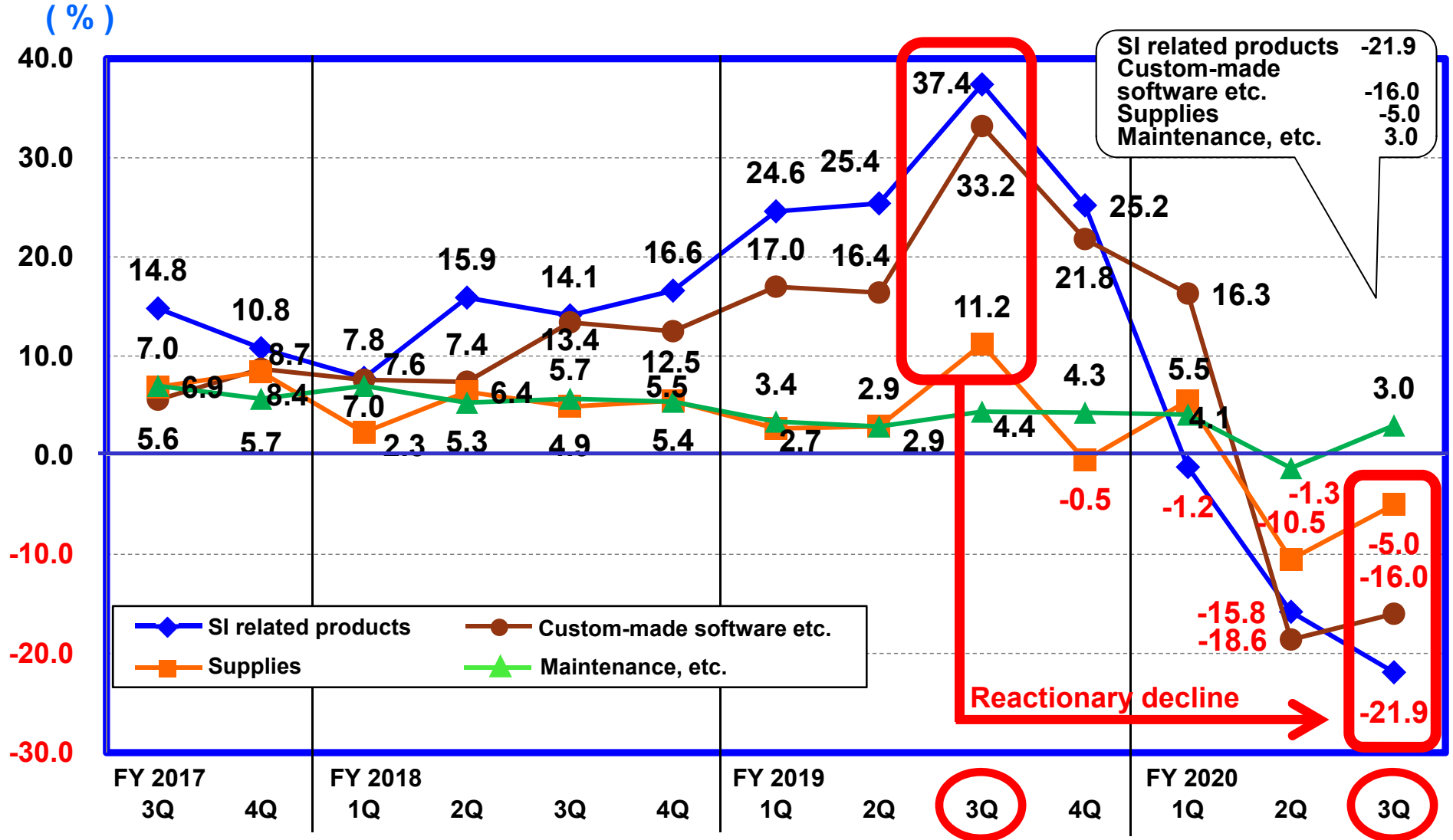


(Change from the previous year)

Net sales	+6.3%	→	+10.2%	→	+10.9%	→	<b>+23.1%</b>	→	<b>-13.2%</b>
Operating profit	+15.4%	→	+16.9%	→	+8.5%	→	<b>+78.6%</b>	→	<b>-10.9%</b>

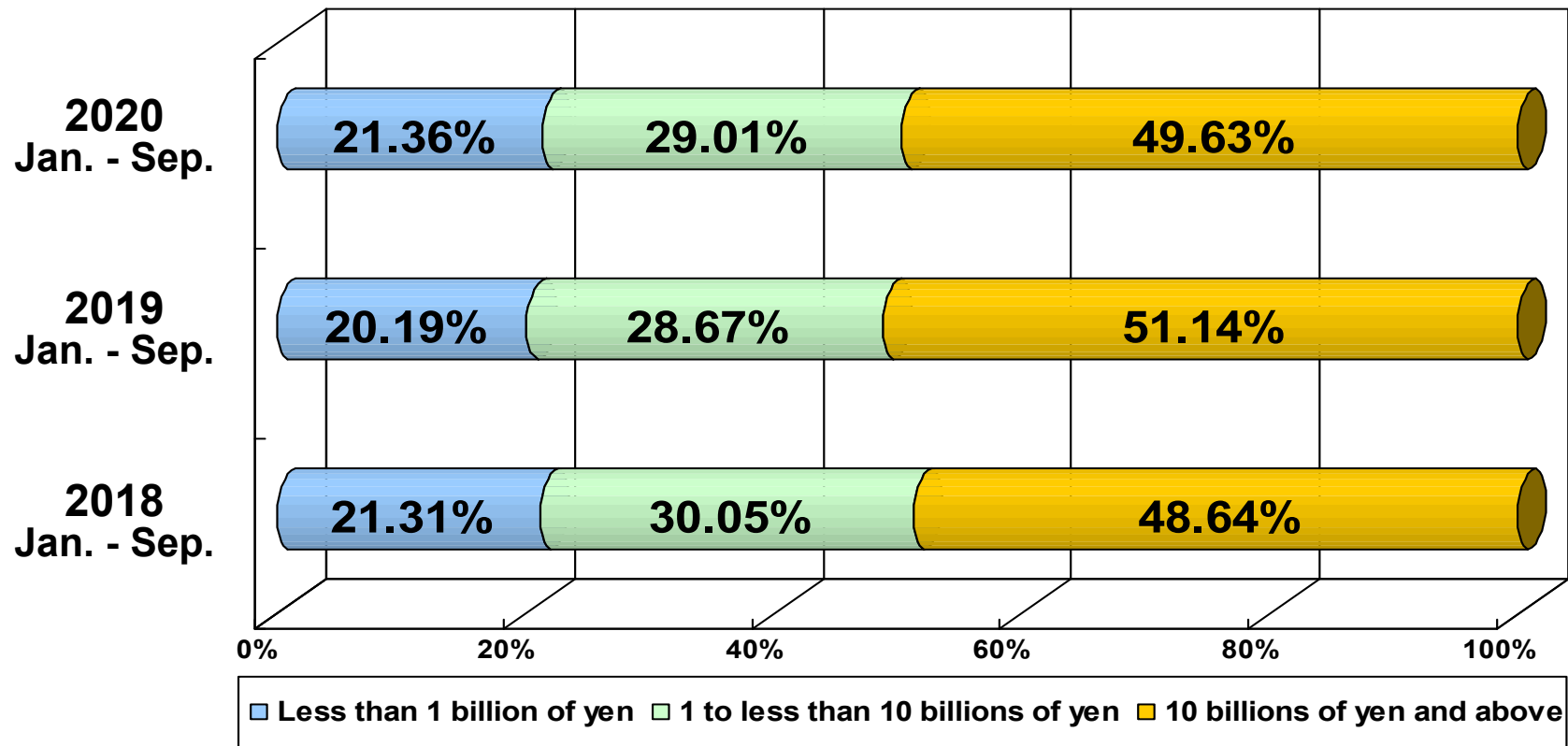
Non-Consolidated

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



Non-Consolidated

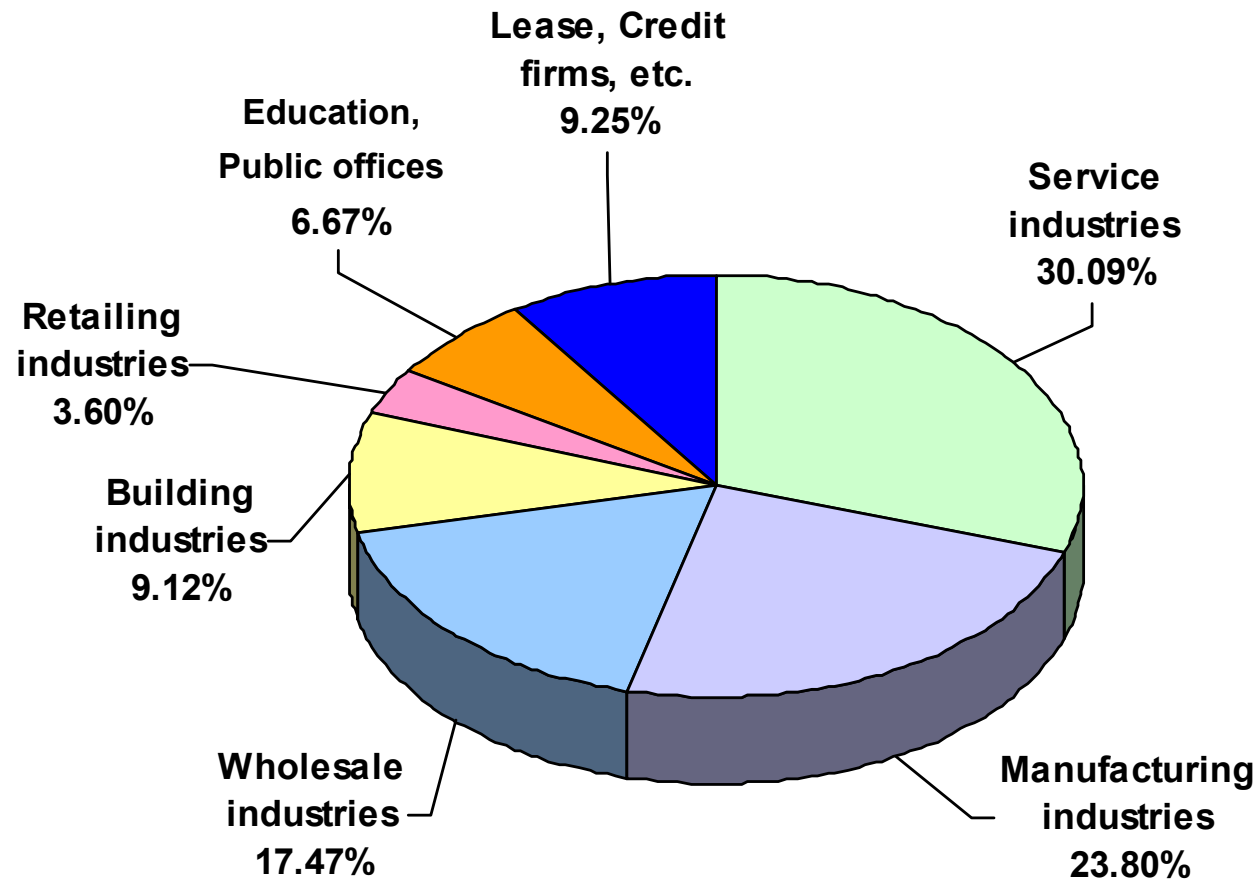
# Net sales structure on customers' total annual business scale



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

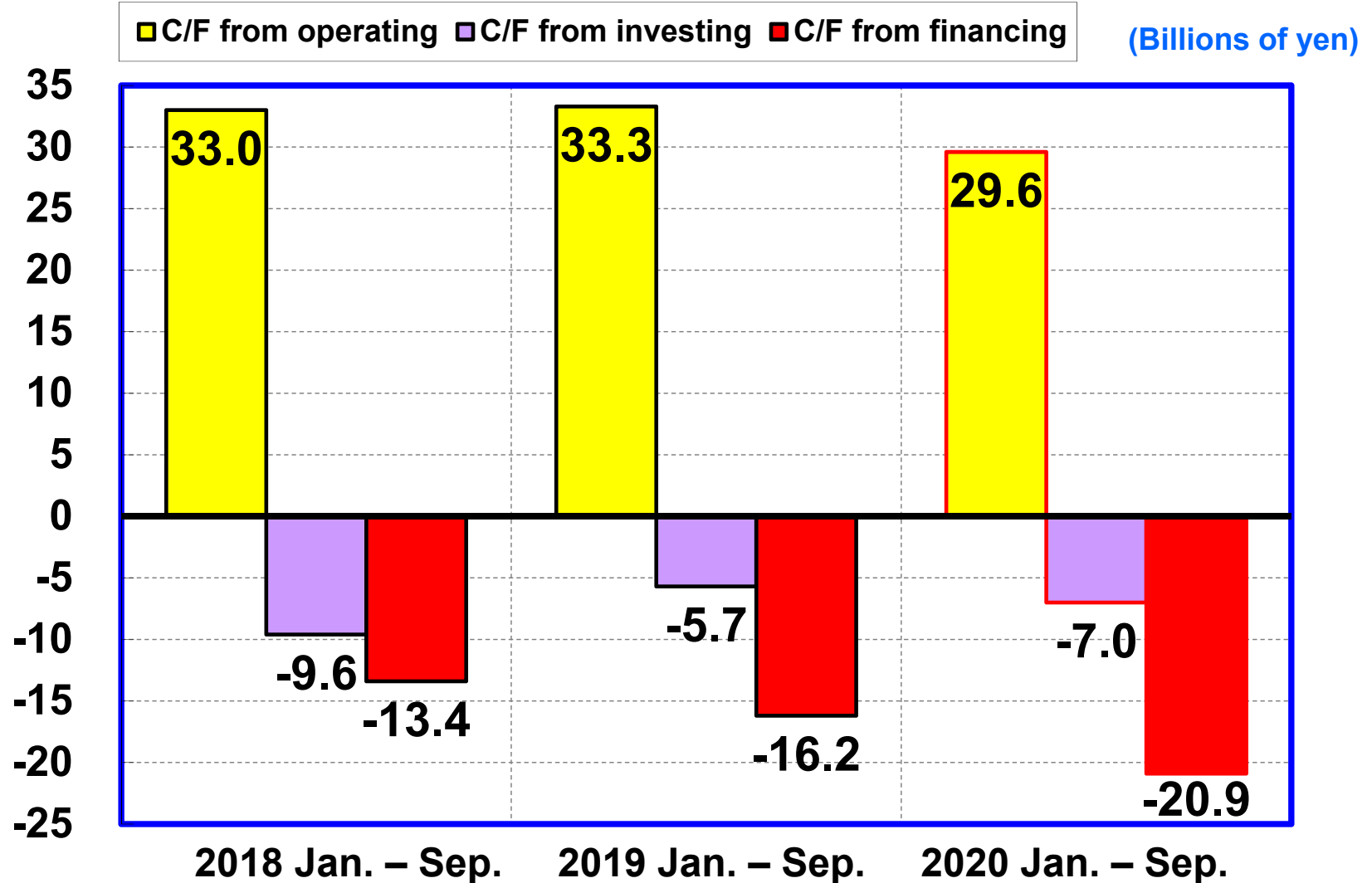
# Sales breakdown by customers' type of industry

2020 Jan. – Sep.



Consolidated

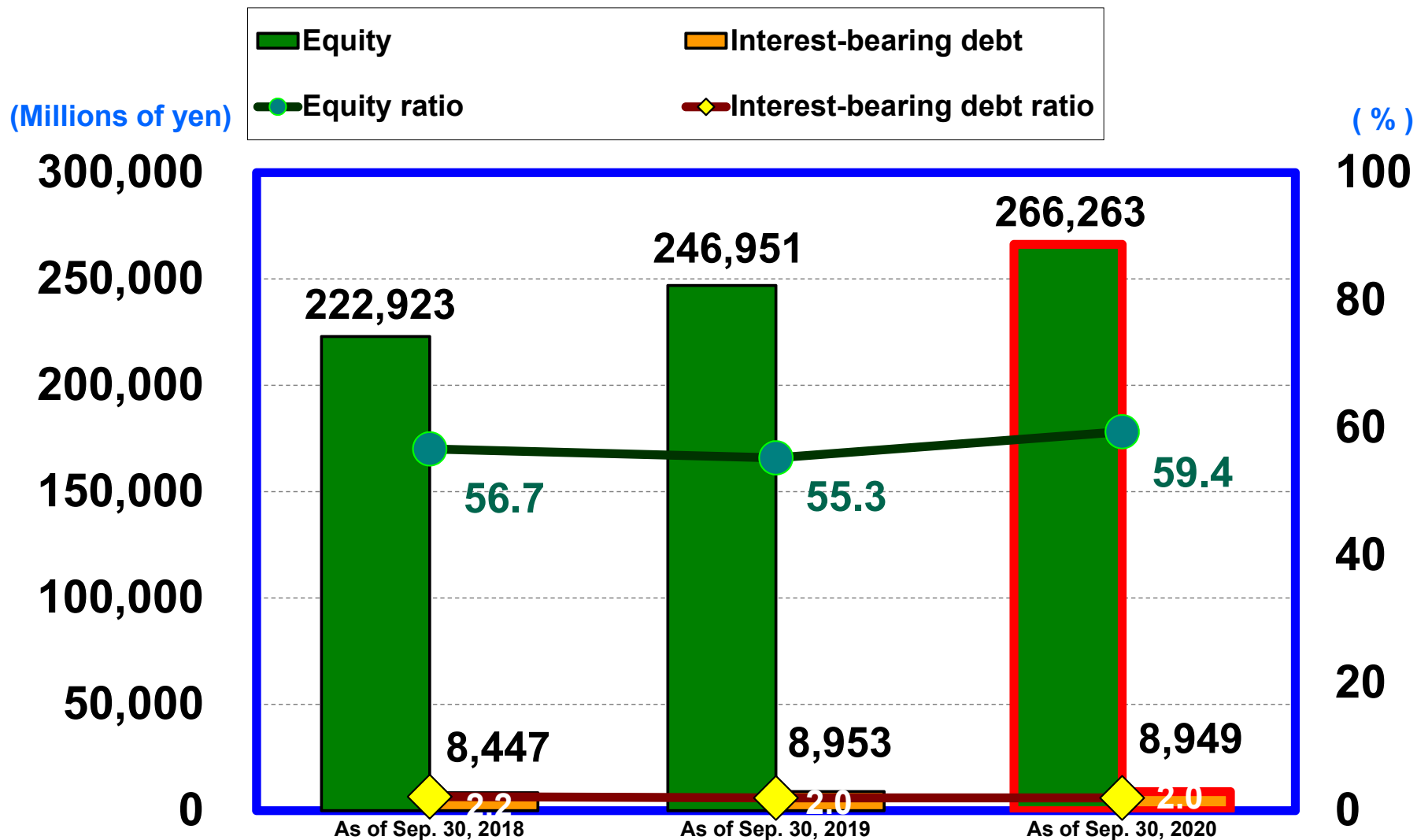
# Cash flows





Consolidated

# Equity and Interest-bearing debt





# Key strategic business

<Amount of Sales>

(Millions of yen)

	2018 Jan. – Sep.	2019 Jan. – Sep.		2020 Jan. – Sep.			2020 Jul. – Sep.		
	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>	117,950	125,044	+6.0%	<b>119,649</b>	<b>-5,395</b>	<b>-4.3%</b>	<b>40,031</b>	<b>-2,286</b>	<b>-5.4%</b>
<b>SMILE</b>	8,701	9,893	+13.7%	<b>8,395</b>	<b>-1,497</b>	<b>-15.1%</b>	<b>2,546</b>	<b>-204</b>	<b>-7.4%</b>
<b>ODS</b>	41,940	42,260	+0.8%	<b>38,870</b>	<b>-3,389</b>	<b>-8.0%</b>	<b>11,410</b>	<b>+476</b>	<b>+4.4%</b>
<b>OSM</b>	53,512	58,390	+9.1%	<b>60,761</b>	<b>+2,371</b>	<b>+4.1%</b>	<b>20,378</b>	<b>+1,013</b>	<b>+5.2%</b>

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

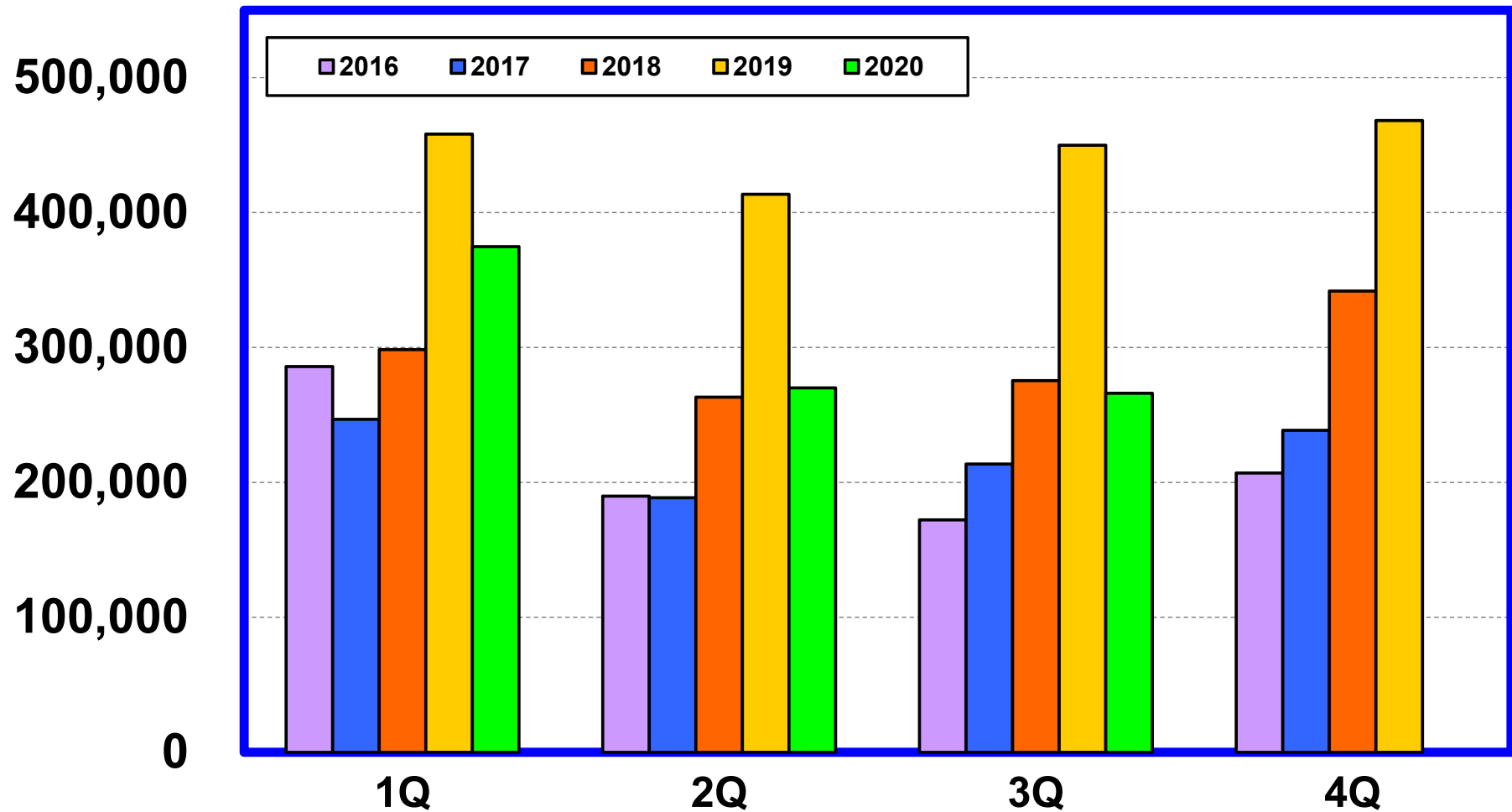
<As reference: Number of Sales>

(Units)

<b>Copier</b>	30,726	29,063	-5.4%	<b>26,610</b>	<b>-2,453</b>	<b>-8.4%</b>	<b>7,610</b>	<b>+675</b>	<b>+9.7%</b>
(of which Color copier)	29,782	28,119	-5.6%	<b>25,913</b>	<b>-2,206</b>	<b>-7.8%</b>	<b>7,438</b>	<b>+777</b>	<b>+11.7%</b>
<b>Server</b>	23,999	24,351	+1.5%	<b>19,475</b>	<b>-4,876</b>	<b>-20.0%</b>	<b>5,944</b>	<b>-1,673</b>	<b>-22.0%</b>
<b>PC</b>	837,046	1,321,613	+57.9%	<b>910,972</b>	<b>-410,641</b>	<b>-31.1%</b>	<b>266,101</b>	<b>-183,829</b>	<b>-40.9%</b>
<b>Client Total</b>	874,997	1,352,496	+54.6%	<b>943,381</b>	<b>-409,115</b>	<b>-30.2%</b>	<b>274,720</b>	<b>-183,046</b>	<b>-40.0%</b>

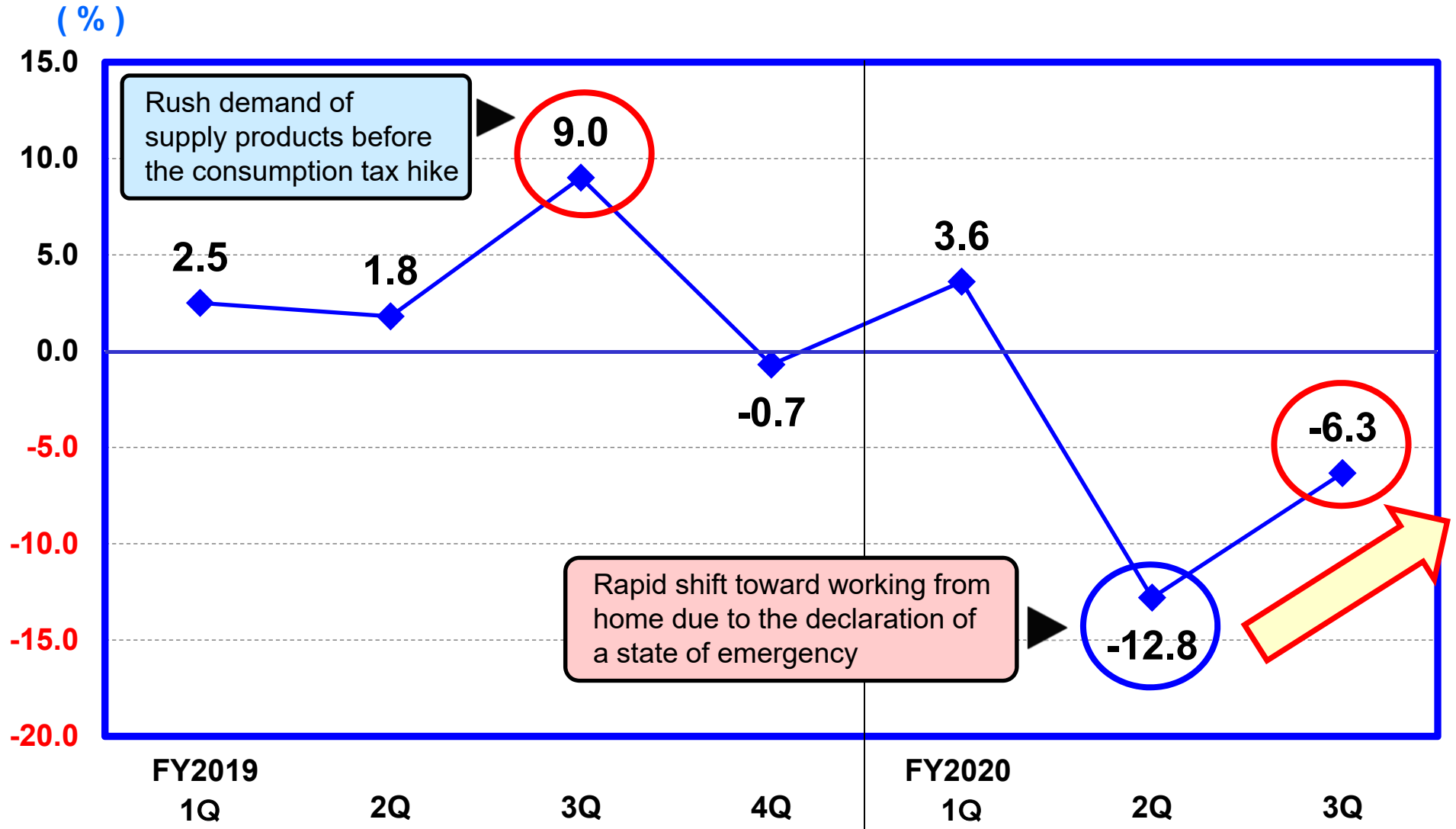
# Quarterly Number of PCs Sold

(Units)



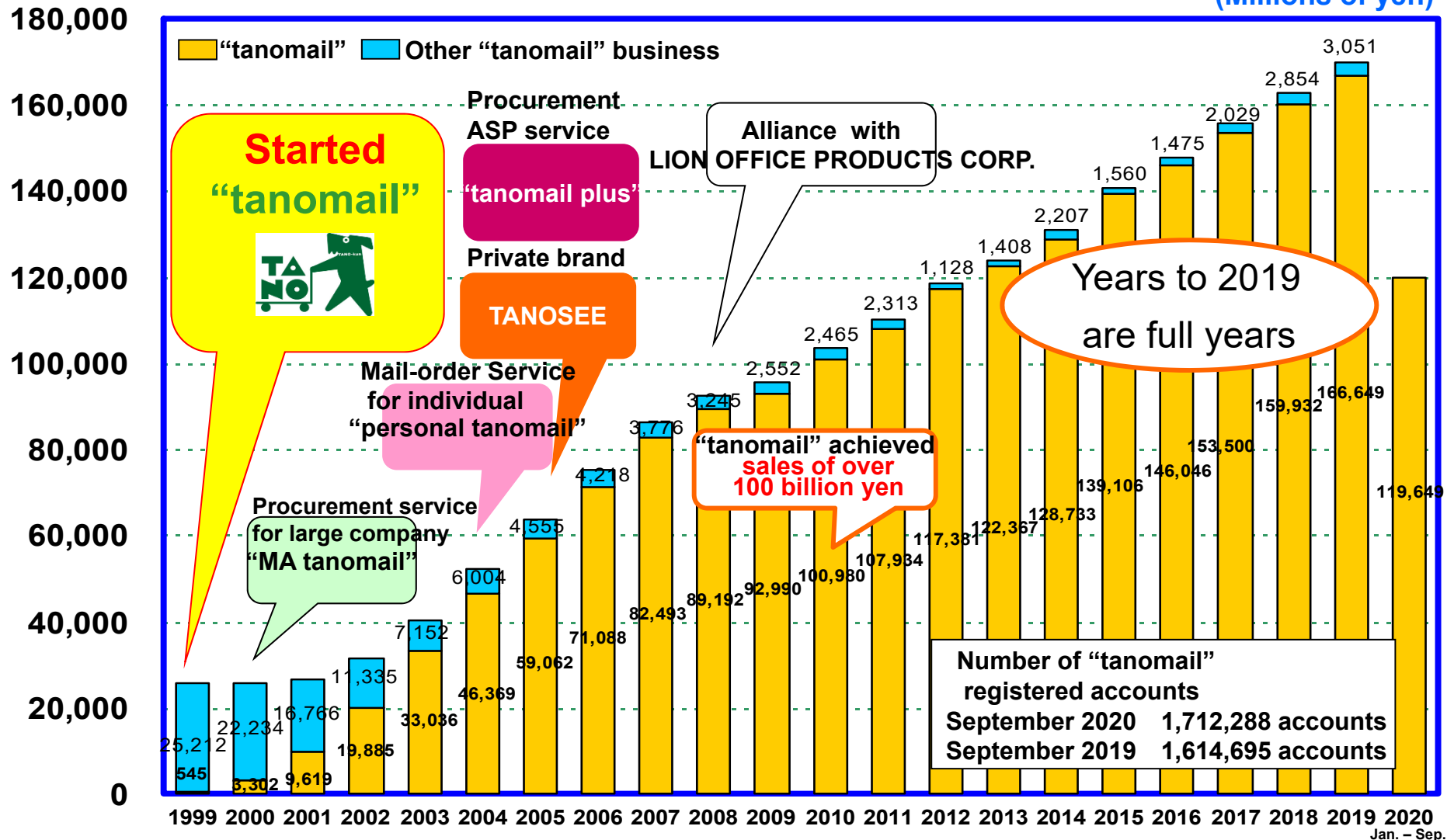
# Office supply and Copier maintenance services sales

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

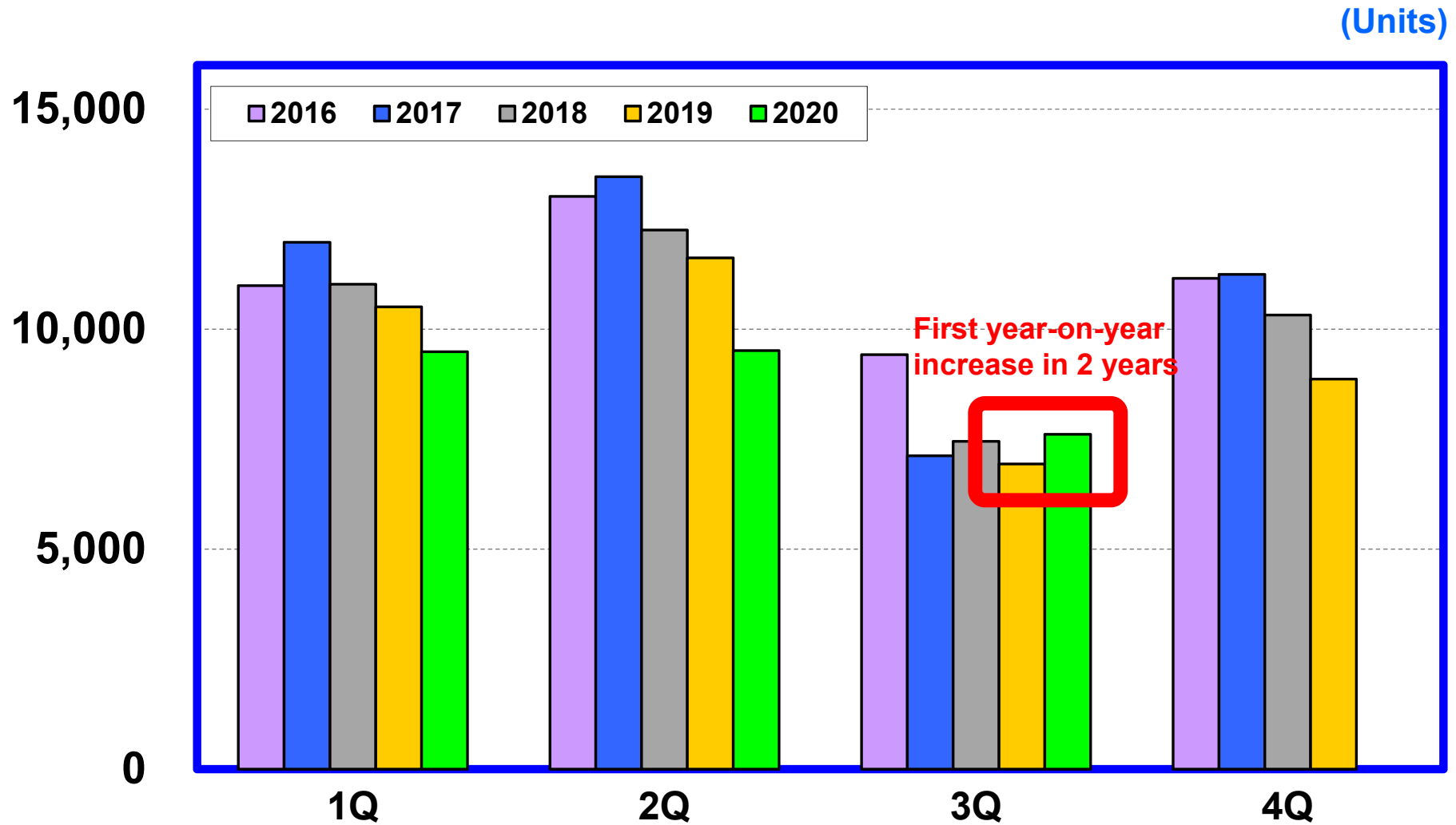


# Annual sales transition of "tanomail"

(Millions of yen)

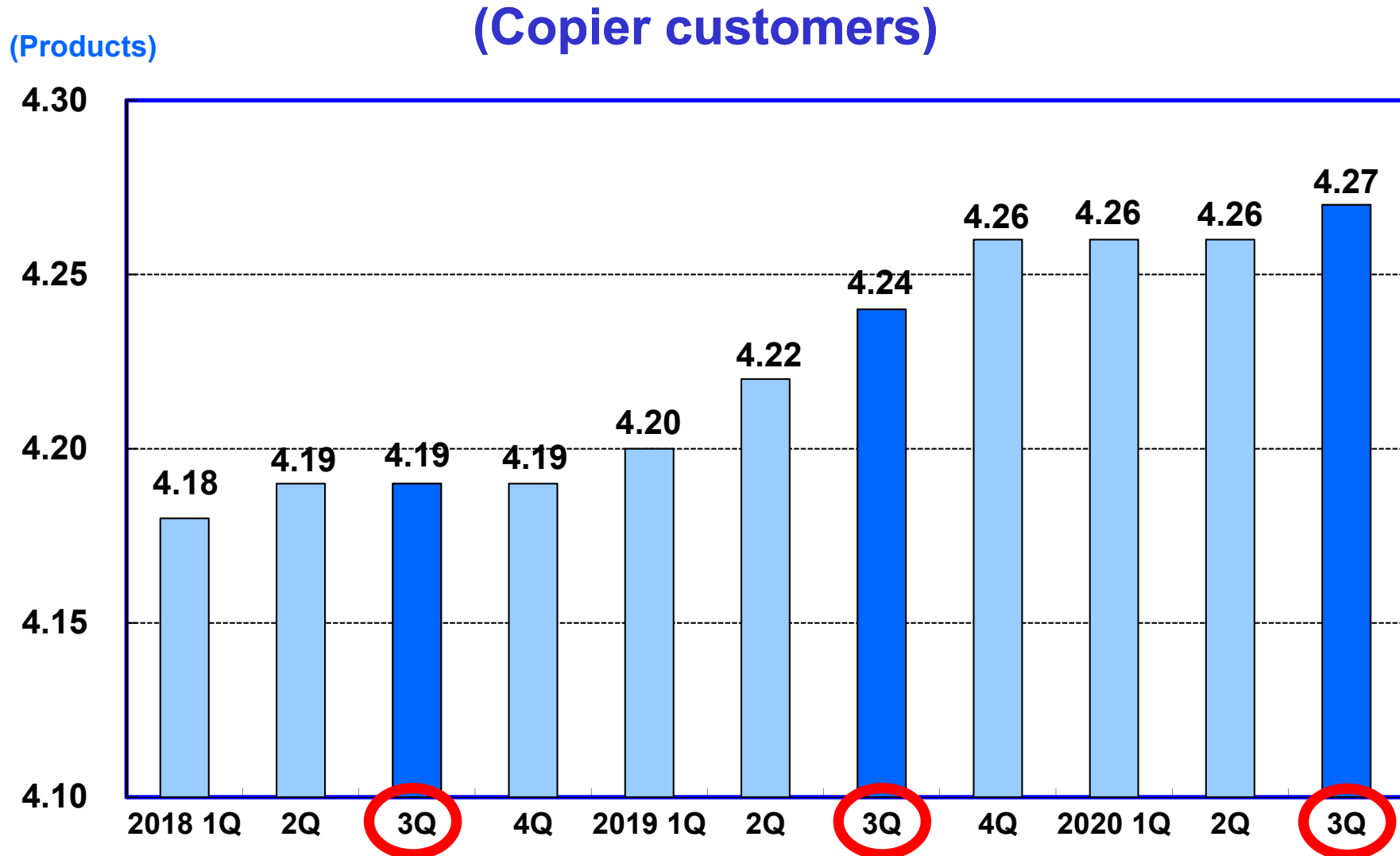


# Quarterly Number of Copiers Sold



Non-Consolidated

# Trends in the number of products per one company



# Looking to the Future

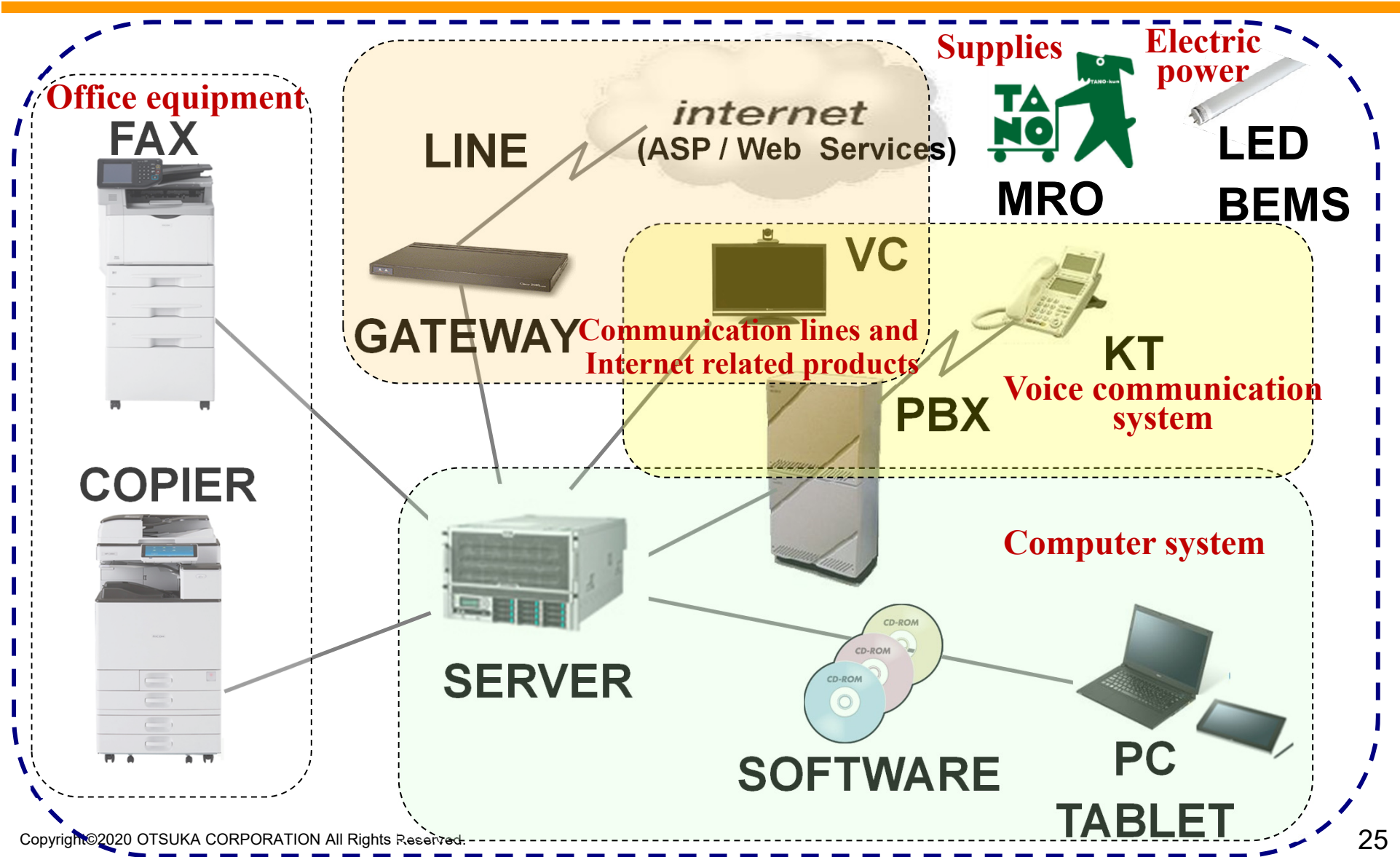


# Policies and Measures

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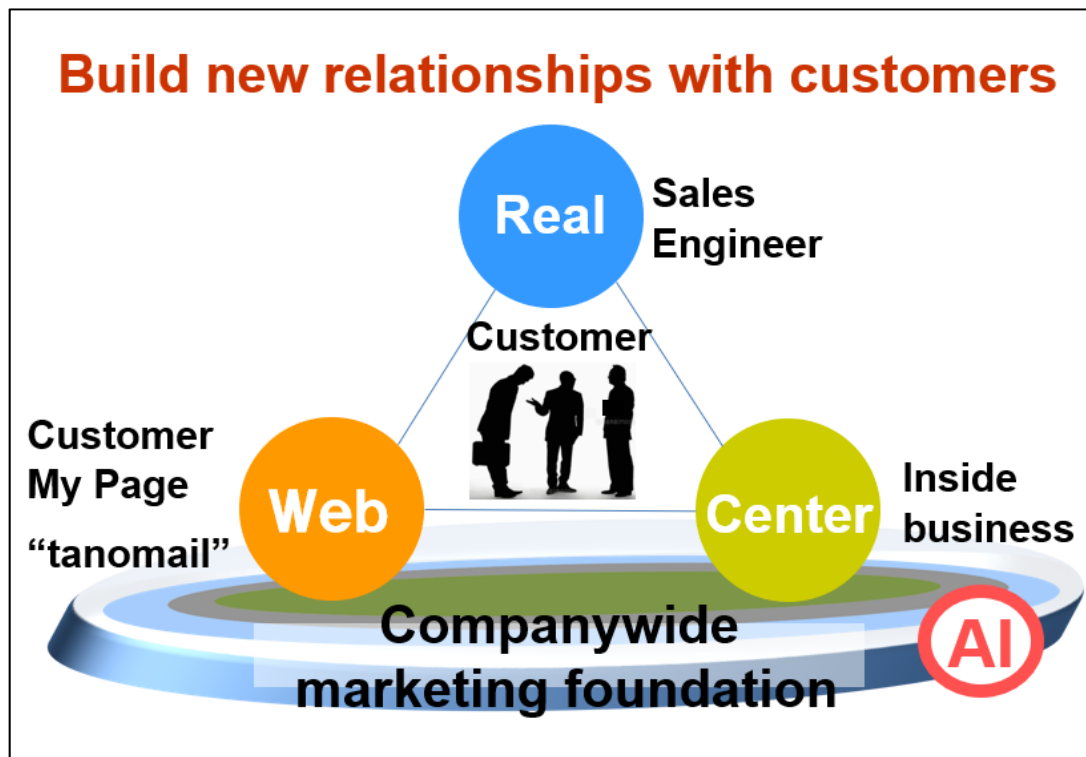
- **Promote “Entire Office”**
- **Continue initiatives for “Otsuka Strategy II”**
- **Strengthen support for introducing telework and for transitioning to digital documents**
- **Further improve productivity per employee**

# OTSUKA CORPORATION for the Entire Office



# Continue initiatives for “Otsuka Strategy II”

Utilize changes in the business environment  
as opportunities for growth



Some of the measures undertaken

■ **Strengthen sales activities through AI proposals**

- └ Recommend destinations
- └ Recommend products

■ **AI assistant for iPhones**

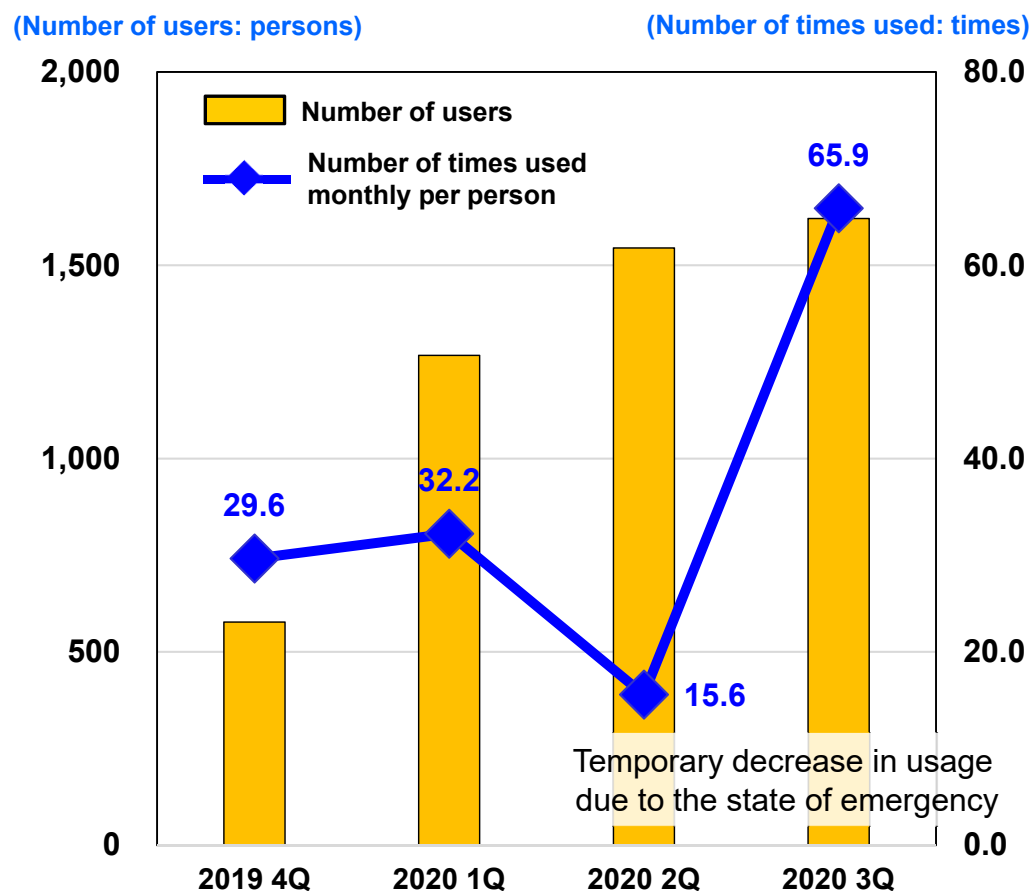
- └ Improve sales productivity
- └ AI takes over sales work

■ **Inside Business Center**

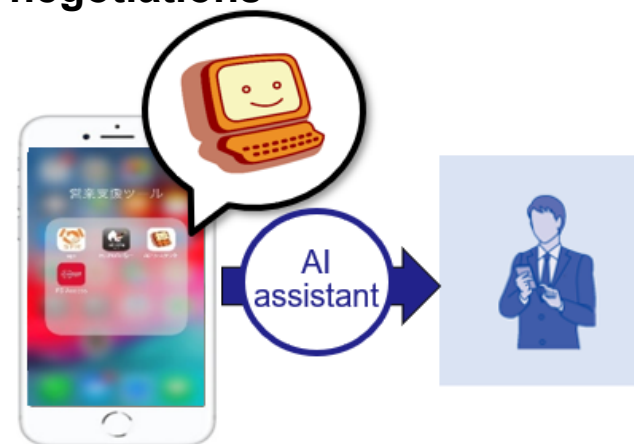
- └ Telework triggering an increase in the number of consultations
- └ High growth in account acquisition (covers a decrease in face-to-face business negotiations)

# Sales productivity improvement using AI

## 【 AI assistant for iPhones 】



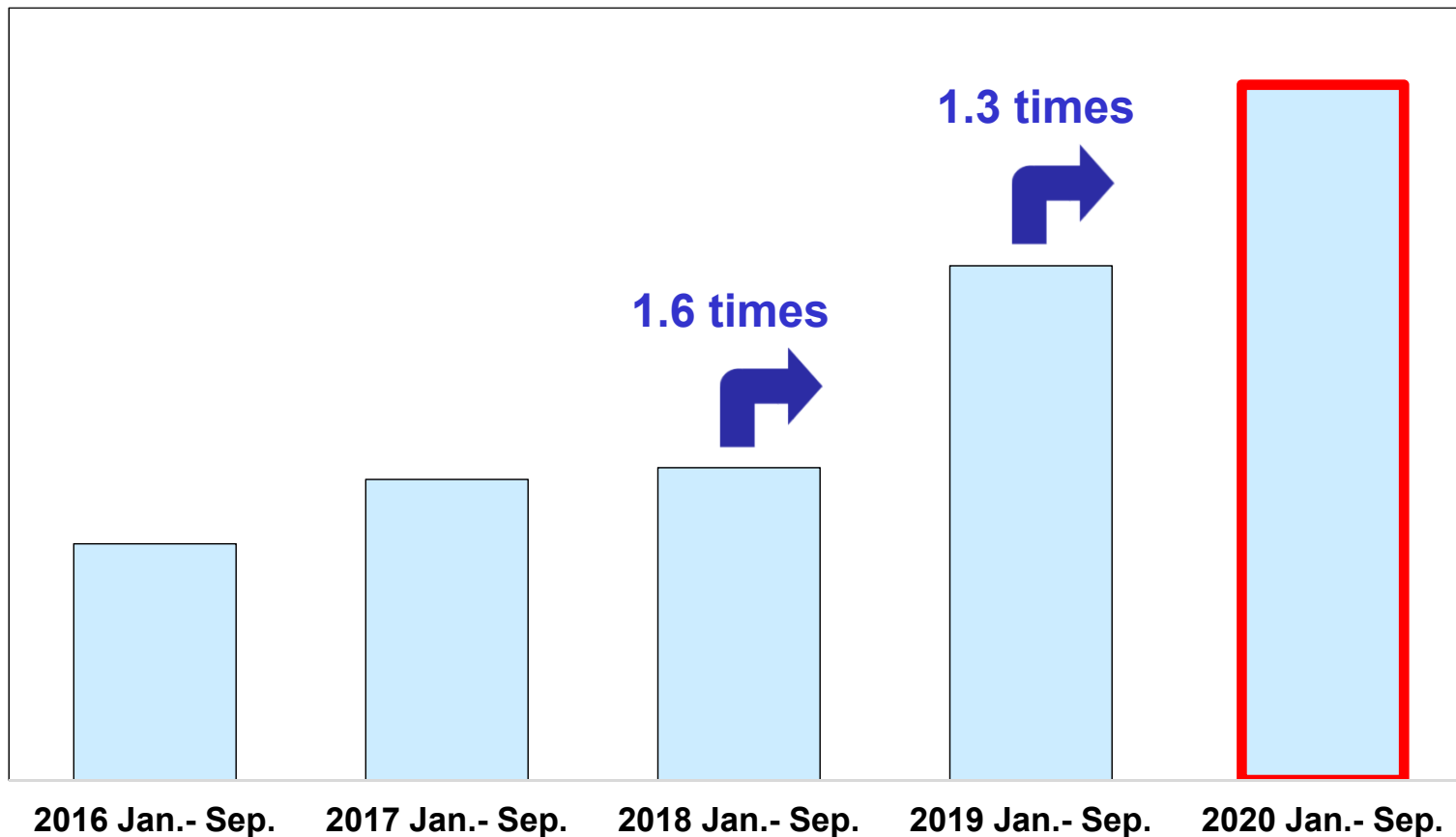
- AI will become a secretary for sales and provide information that is even closer to customers
- The number of times used per person is increasing. Highly effective in gathering the latest customer information when going out on business calls, such as before customer visits or during business negotiations



# Inside Business Center

【 Number of accounts acquired 】

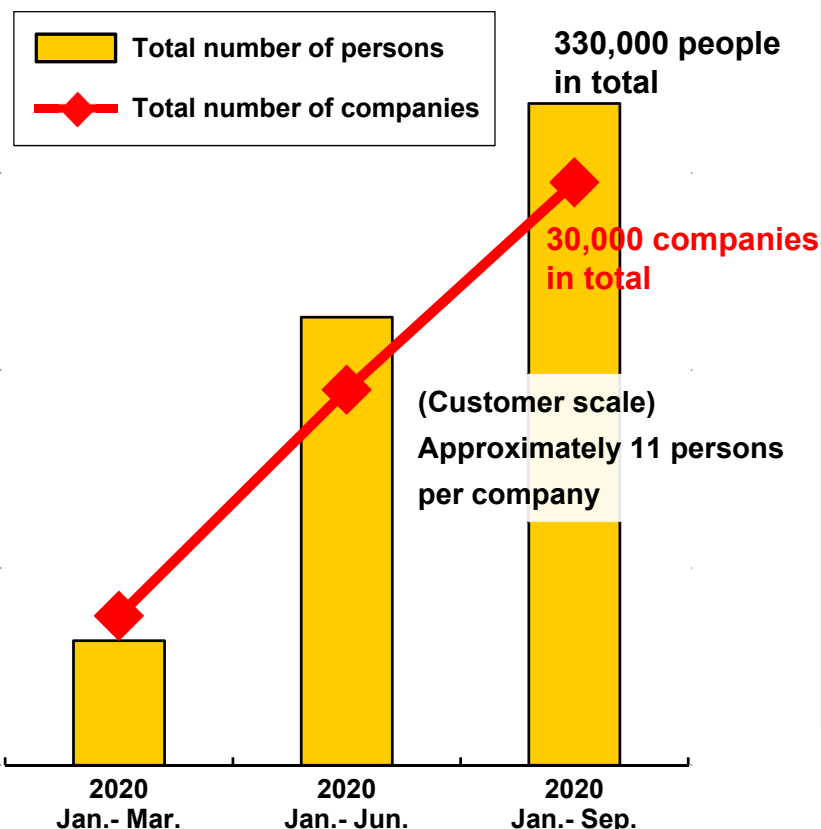
High growth to offset the decline in face-to-face negotiations



# Support for Introducing Telework and New Issues

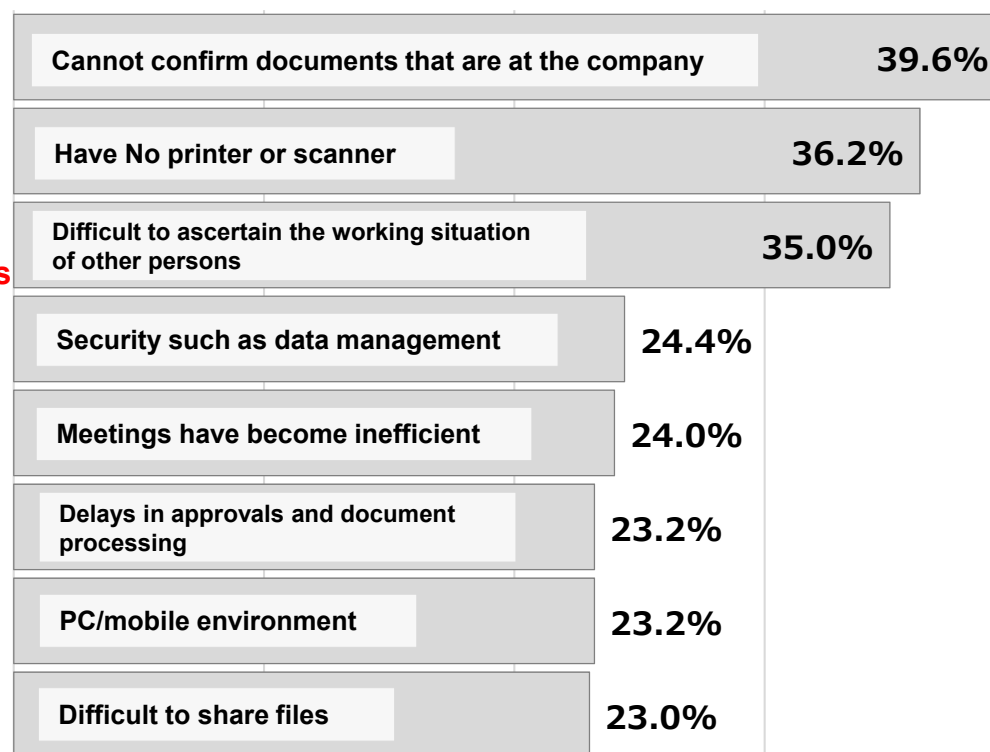
## Support for establishing a telework environment

\* OTSUKA CORPORATION'S support results (2020)



## New issues needing to be solved

\* Telework issues (excerpt from Adobe's survey)



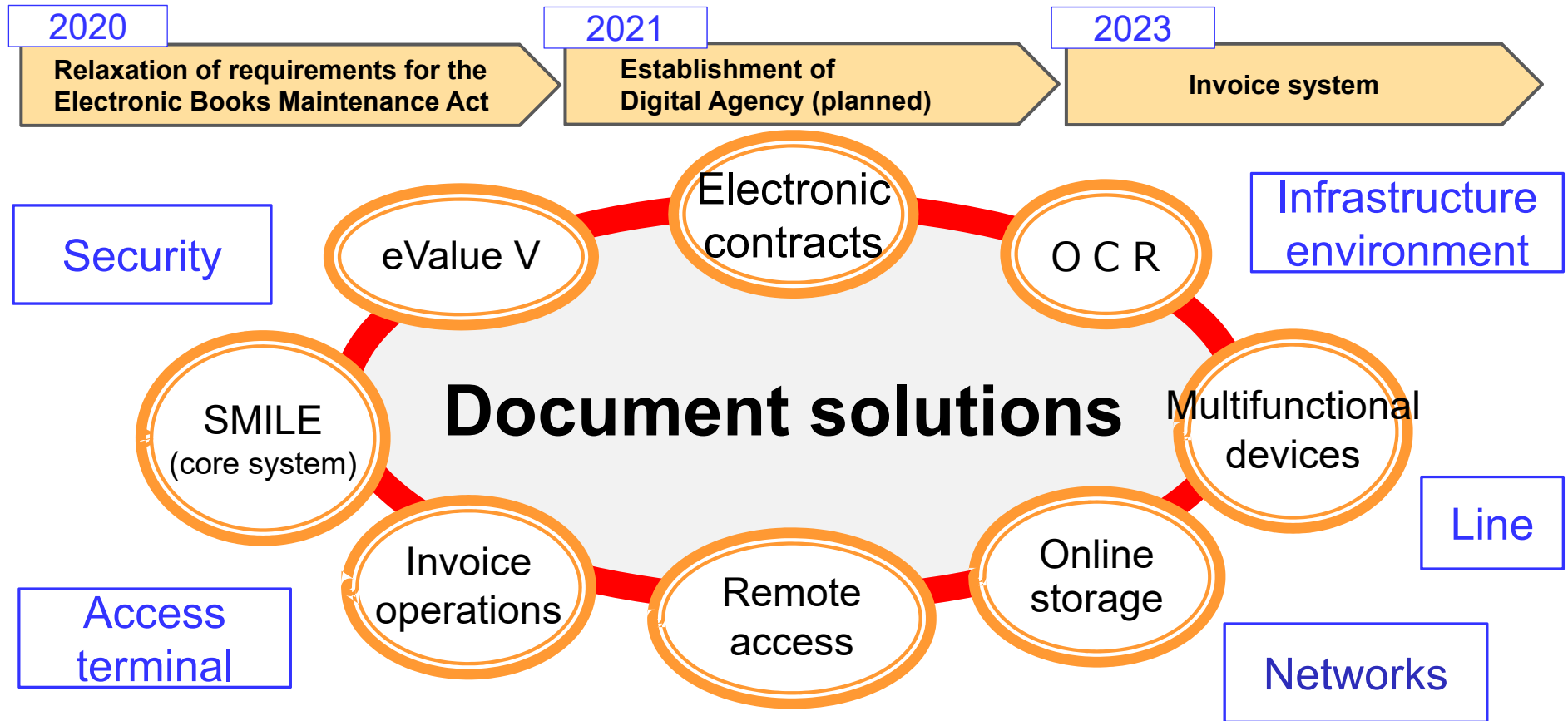
**Support customers by providing solutions such as security and workflow solutions**

# Strengthen Support for Customers Transition to Digital Documents

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- **At domestic mid-tier and small and medium-sized enterprises, much of overall business, including approval and contract flows, is still undertaken on a paper basis.**
- **Further strengthen initiatives such as proposal activities that utilize in-house know-how toward solving customers' document-related issues.**
- **Promote the “entire office” by proposing hybrid solutions unique to OTSUKA CORPORATION, which has strengths in paper documents.**

# Providing Customers with Know-How Introduced Inside OTSUKA CORPORATION

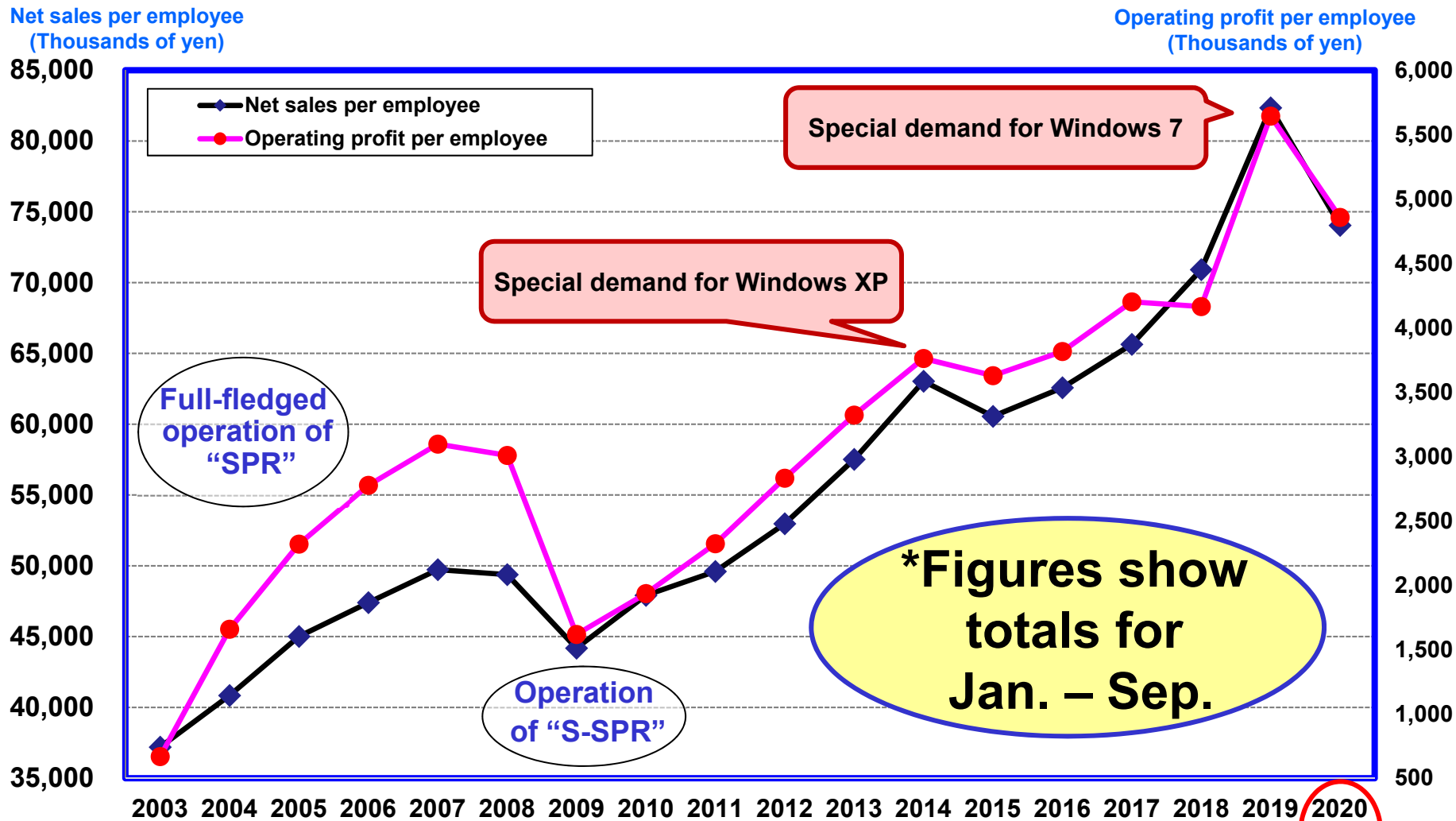


**Newly established an organization to promote digital documents**  
(October 2020, integrated previously distributed functions)



Non-Consolidated

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



Number of employees at the end of September

6,303 6,326 6,309 6,377 6,589 6,763 6,823 6,802 6,729 6,678 6,656 6,789 6,882 7,036 7,129 7,200 7,312 7,489

(177 person increase from the end of the previous September)

# Announced Revised Plan

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## ■ Second quarter consolidated cumulative period (January–June)

- Downward revision of 25 billion yen to initial sales plan factoring in the effects of COVID-19
- Operating profit expected to fall short of plan by approximately 5.7 billion yen. The initial plan for each profit category remains unchanged based on the outlook that profit for the single month of July is expected to exceed the plan by approximately 3.0 billion yen.

## ■ Third quarter (July-September)

- Operating profit exceeded the plan by about 900 million yen and the cumulative shortfall for the plan from January to September was about 4.7 billion yen.
- Revised the full-year consolidated earnings forecast announced on August 7, 2020 based on the market environment and outlook for the fourth quarter (October to December).

## ■ Thinking behind the revised announced plan

- Calculated by combining the planned shortfall amount for the third quarter consolidated cumulative period (January to September) and the expected amount of shortfall for the fourth quarter (October to December) versus the initial plan.

# Amount of change from the previously announced forecast

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Amount of change from earnings forecast announced on August 7, 2020

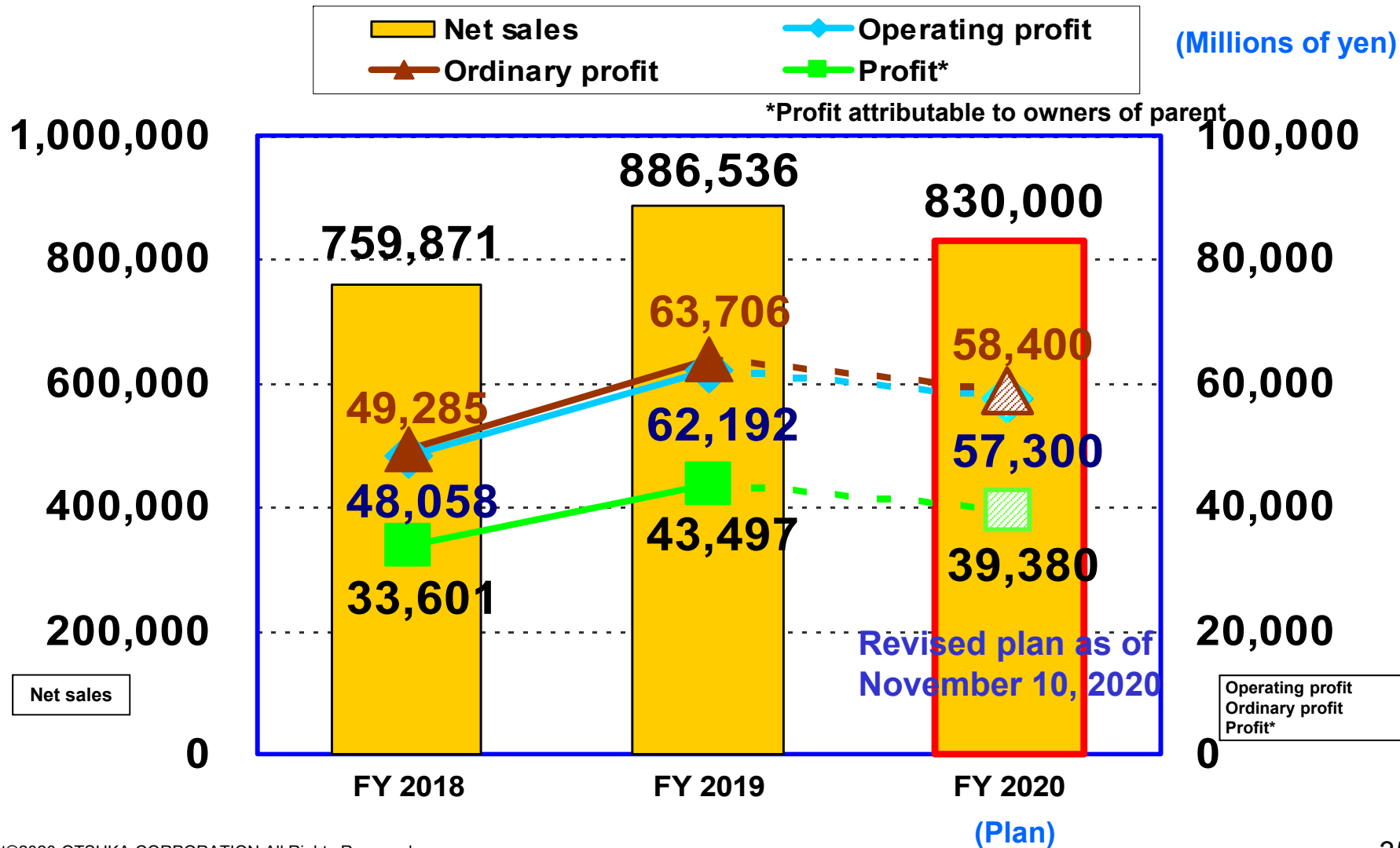
- **Net sales** Downward revision of 9 billion yen
- Downward revisions of 6.4 billion yen to **operating profit**, 6.2 billion yen to **ordinary profit** and 4.1 billion yen to **profit**

## ■ **Dividends**

Upon comprehensively considering financial condition and other factors, the plan announced at the beginning of the year (115 yen per share) will be left unchanged and we will make efforts to increase dividends for the 11th consecutive term.

■ While closely watching the situation in the fourth quarter (October to December), in the case we determine that a revision is needed this will be announced promptly.

# Plans of Net sales and profit





# Cautionary statement

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