



Business Results

for the fiscal year ended December 31, 2020

February 1, 2021

OTSUKA CORPORATION

Yuji Otsuka, President

Summary of Business Results, January – December, 2020

(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	836,323	100.8%	-5.7%	750,492	100.9%	-6.4%
Operating profit	56,309	98.3%	-9.5%	49,810	98.3%	-10.5%
Ordinary profit	57,550	98.5%	-9.7%	52,007	98.4%	-9.7%
Profit*	39,309	99.8%	-9.6%	36,336	99.6%	-9.1%

*Profit attributable to owners of parent

(Note) According to plan revised on November 10, 2020

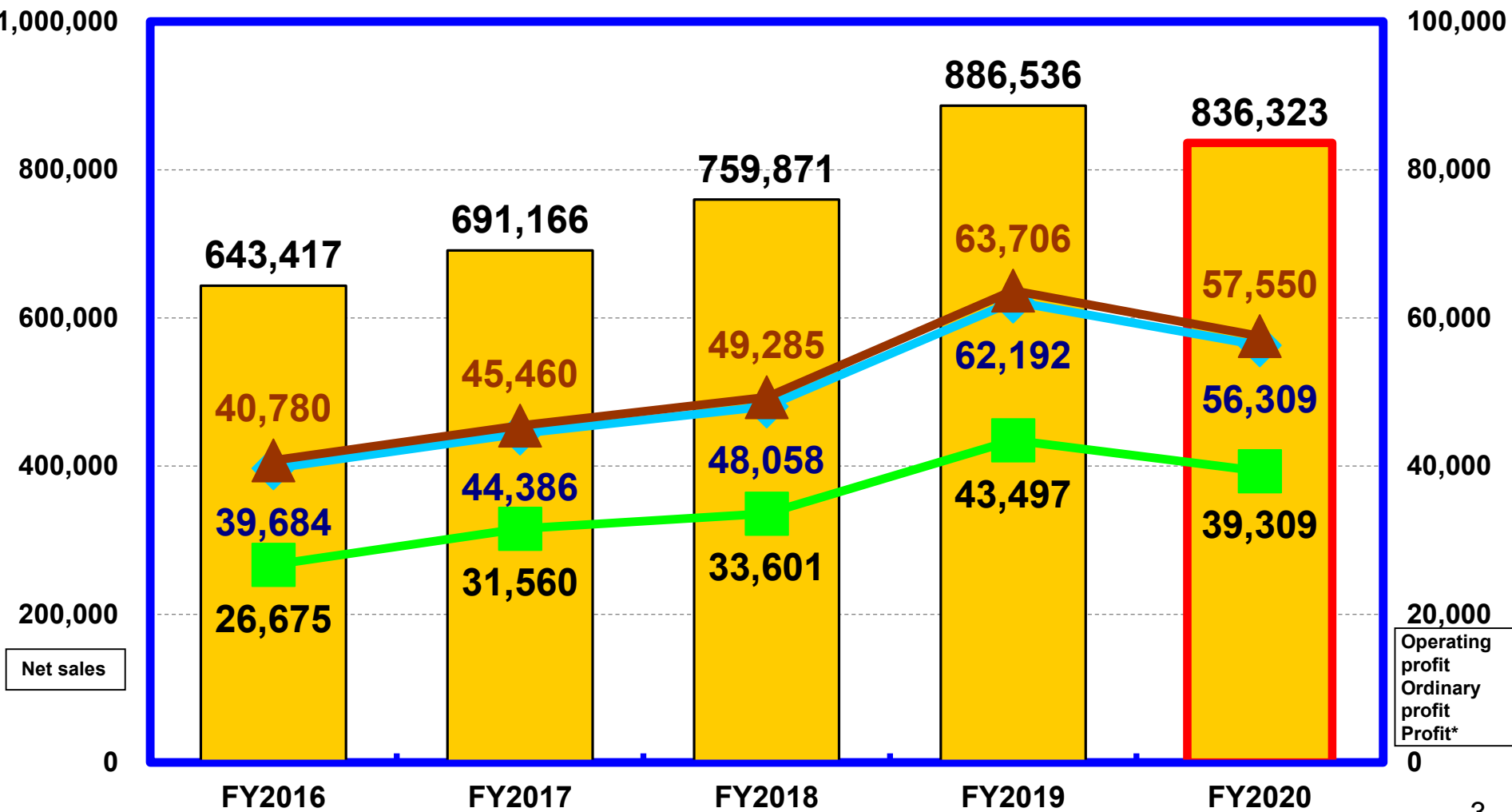
Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	FY 2020 Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	450	8,854
	Net World Corporation	Sales and technology support for network-related equipment	451	127,083
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	317	5,251
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	472	9,640

Consolidated

Net sales and Profits

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

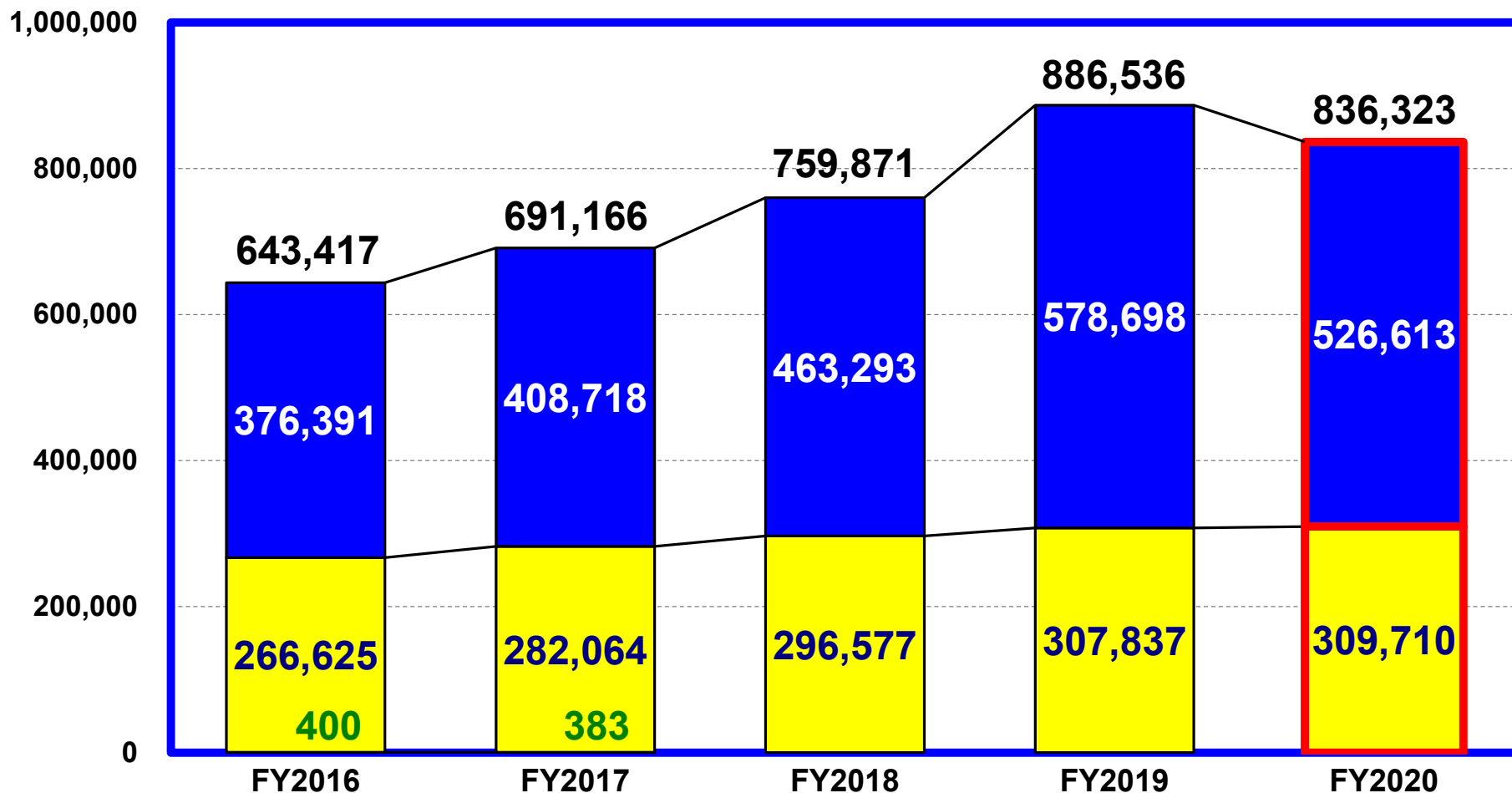


Consolidated

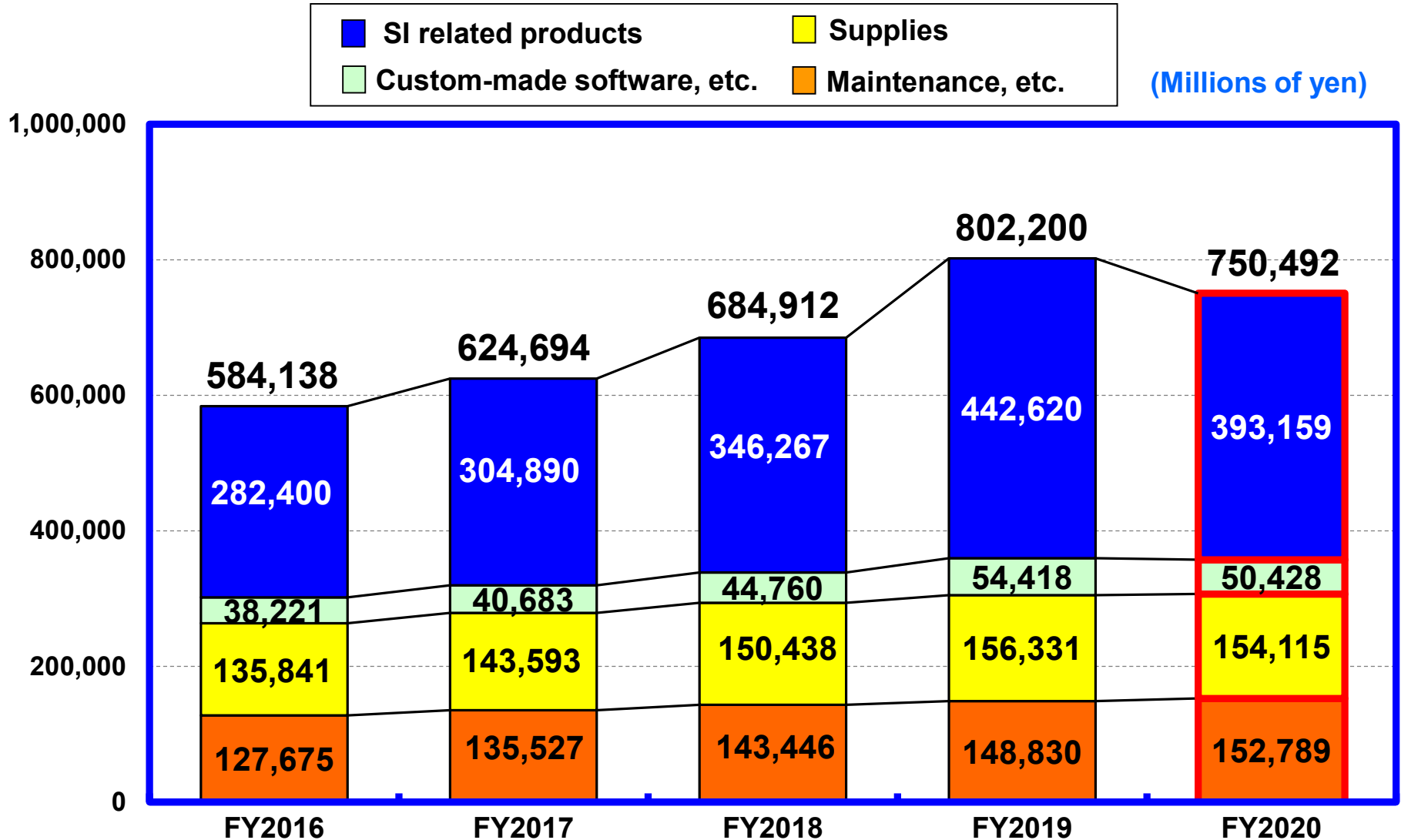
Net sales by segments

■ SI business ■ S&S business ■ Other business

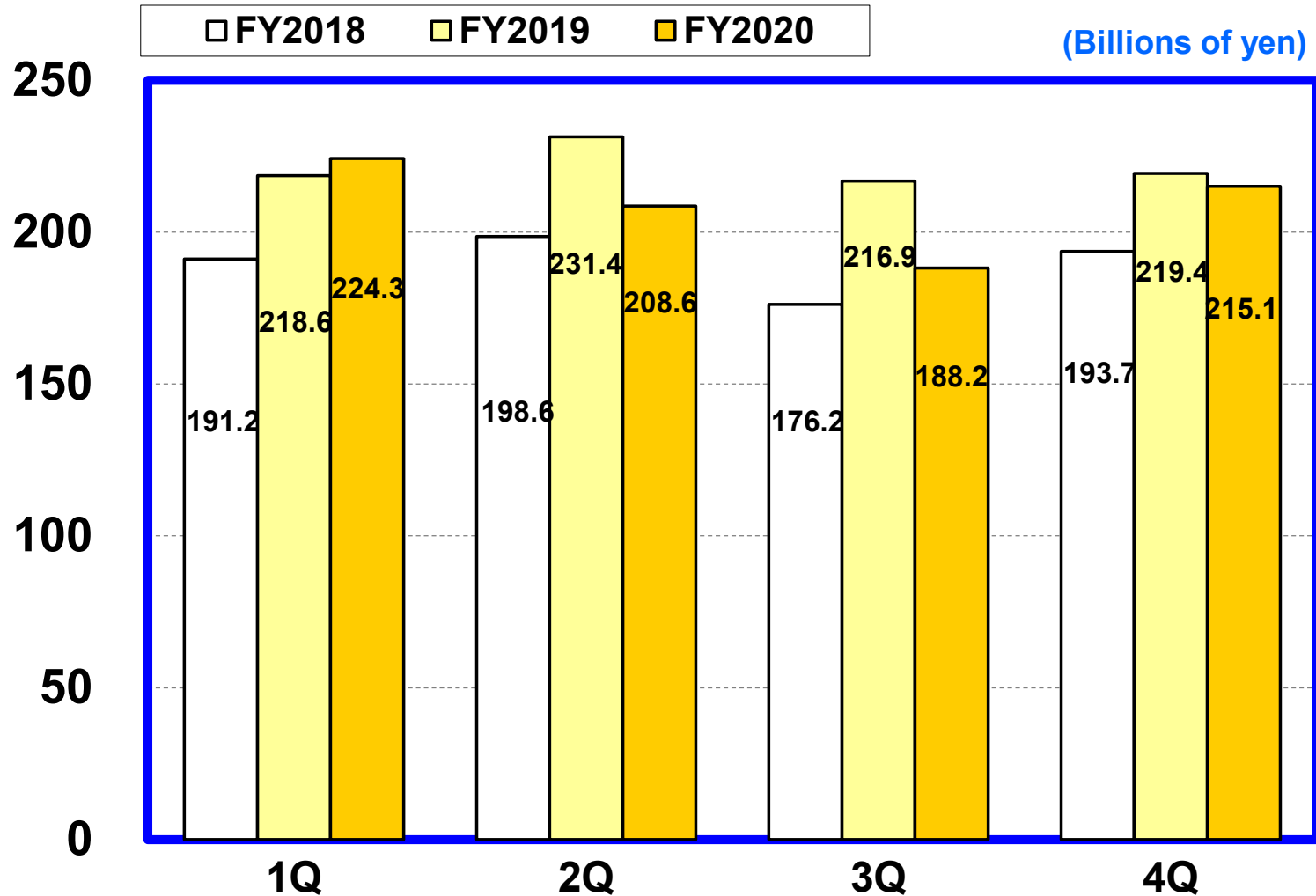
(Millions of yen)



Net sales by 4 segments

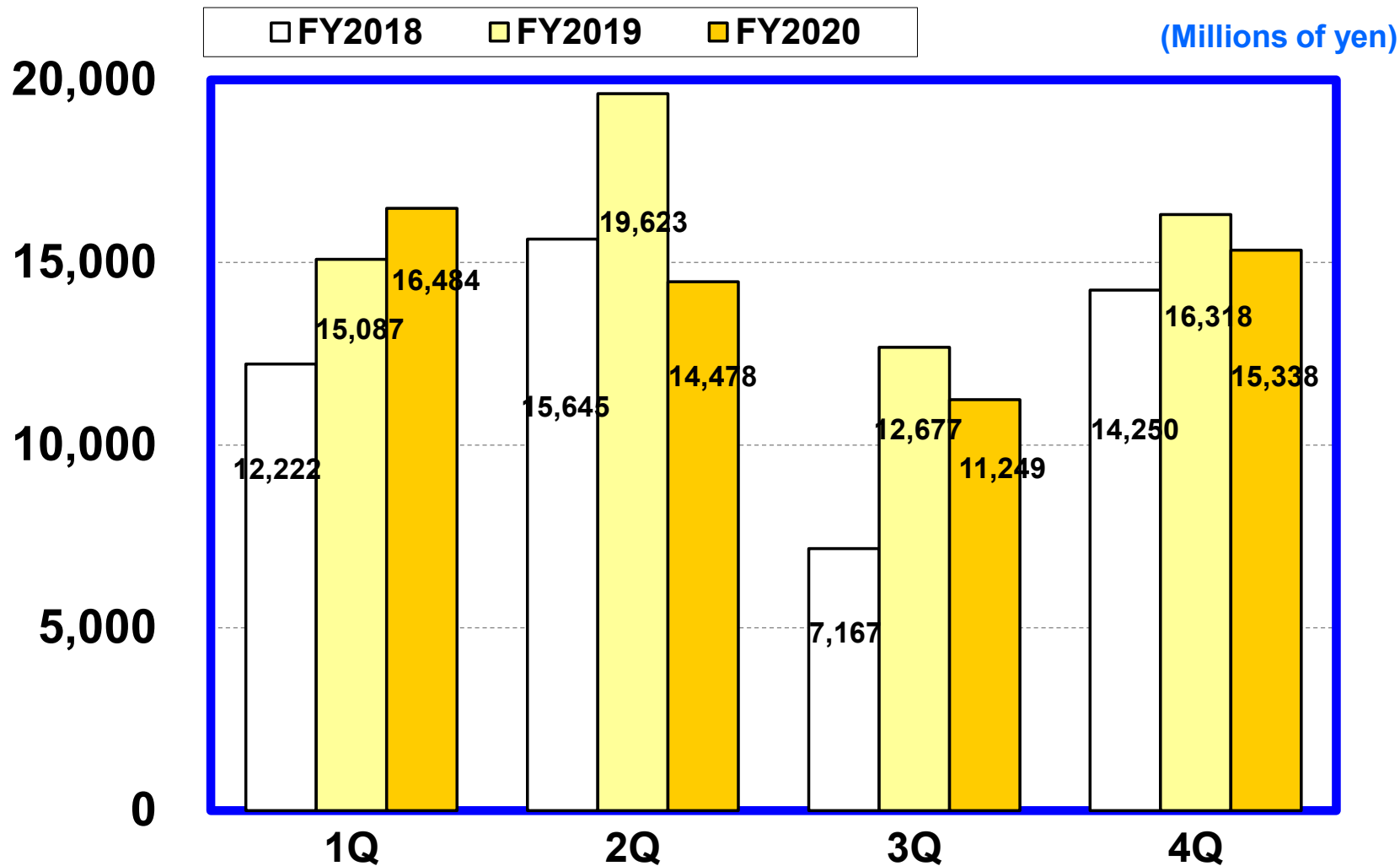


Quarterly change of Net sales



Consolidated

Quarterly change of Ordinary profit



Summary of Business Results, October – December, 2020

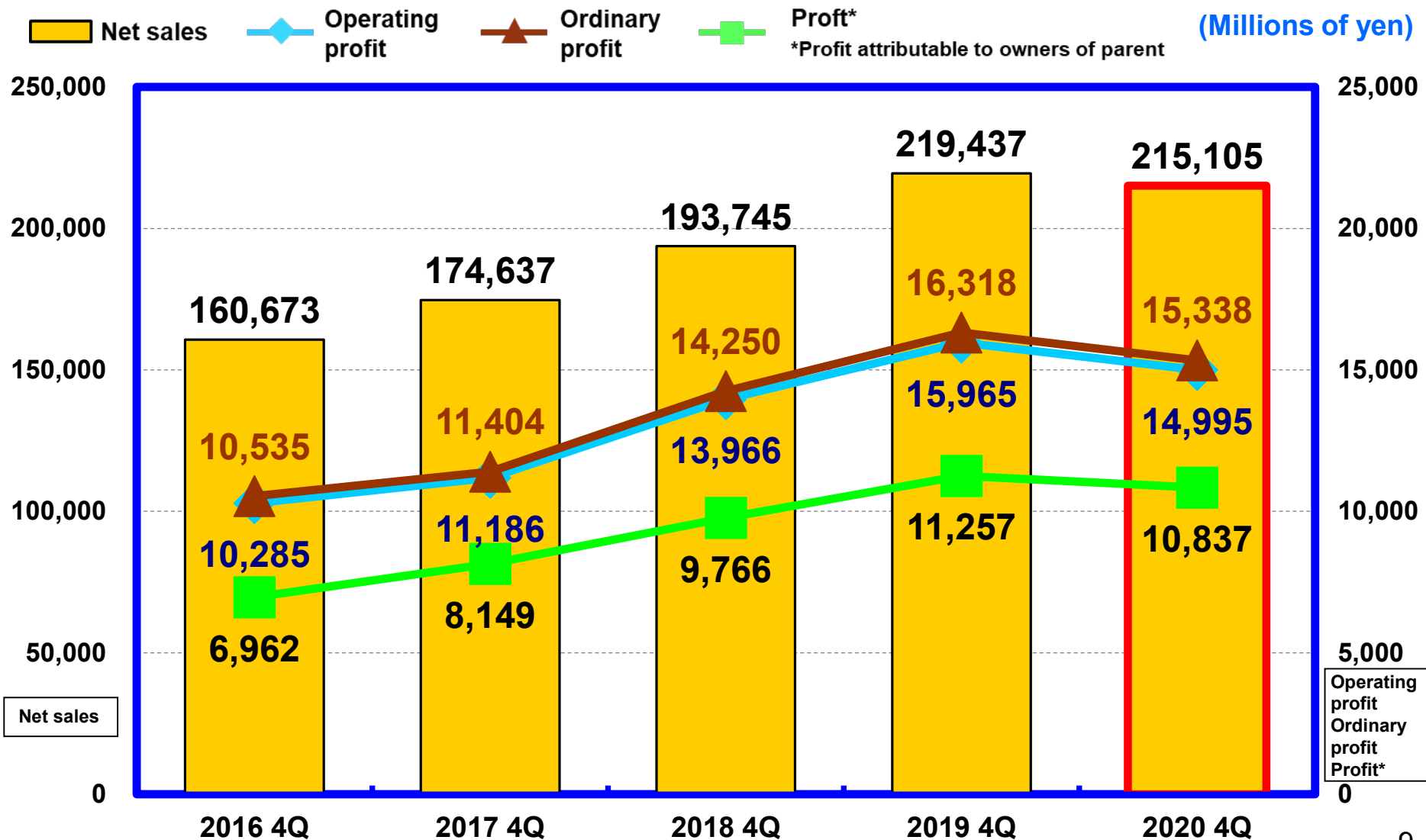
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	215,105	-2.0%	195,973	-2.1%
Operating profit	14,995	-6.1%	13,434	-6.4%
Ordinary profit	15,338	-6.0%	13,635	-6.4%
Profit*	10,837	-3.7%	9,716	-3.8%

*Profit attributable to owners of parent

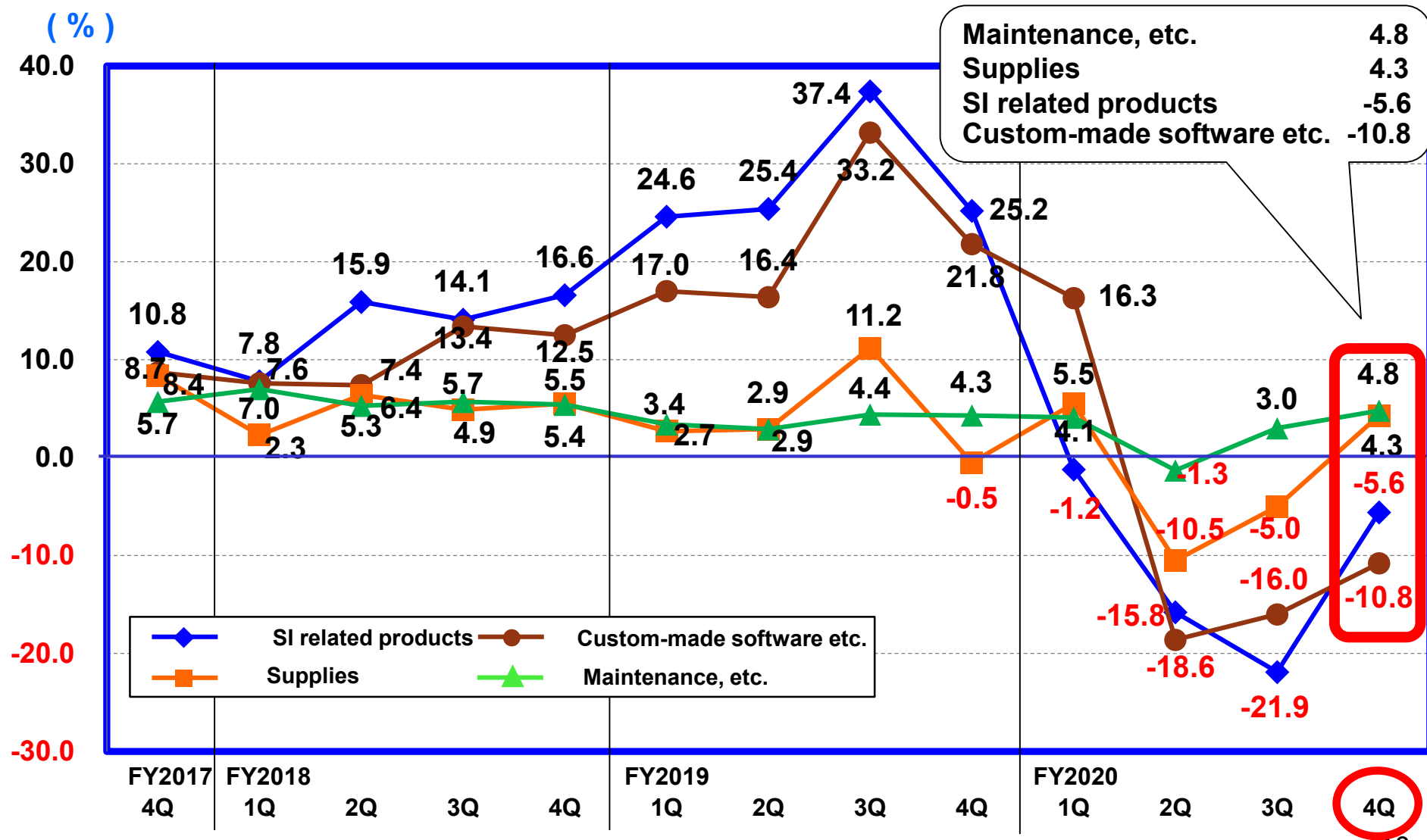
Net sales and Profits, October – December

Consolidated

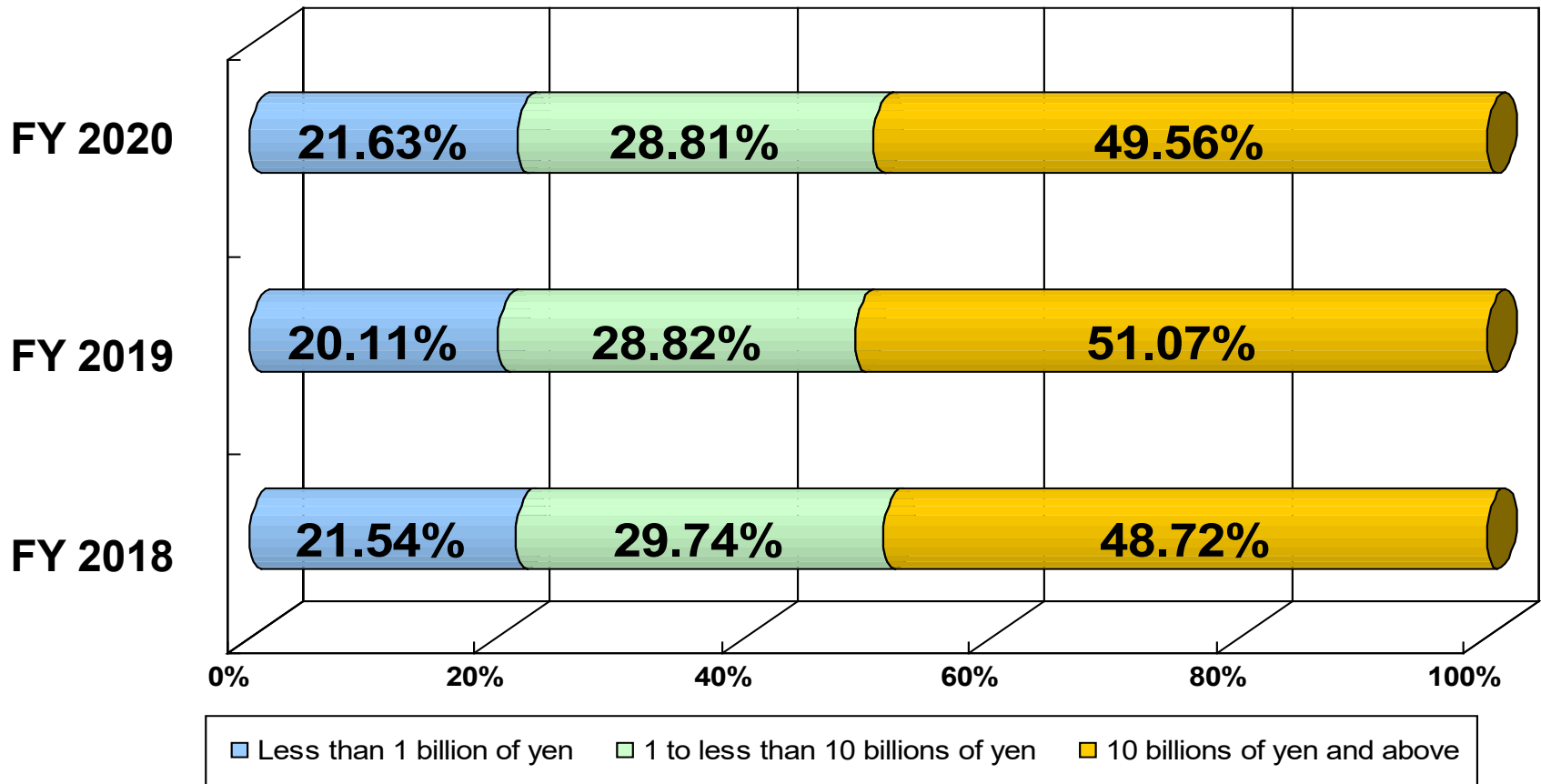


Non-Consolidated

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



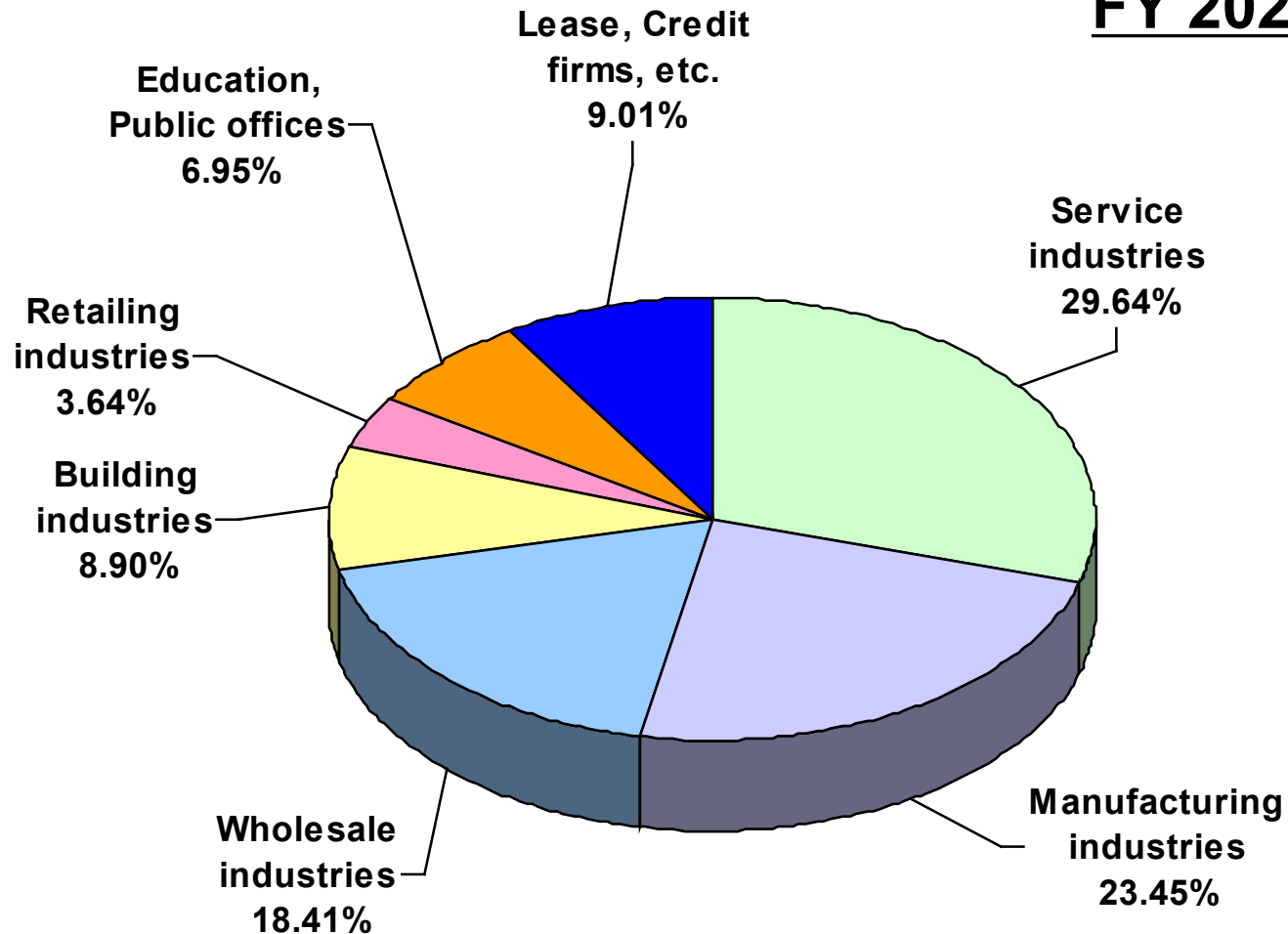
Net sales structure on customers' total annual business scale



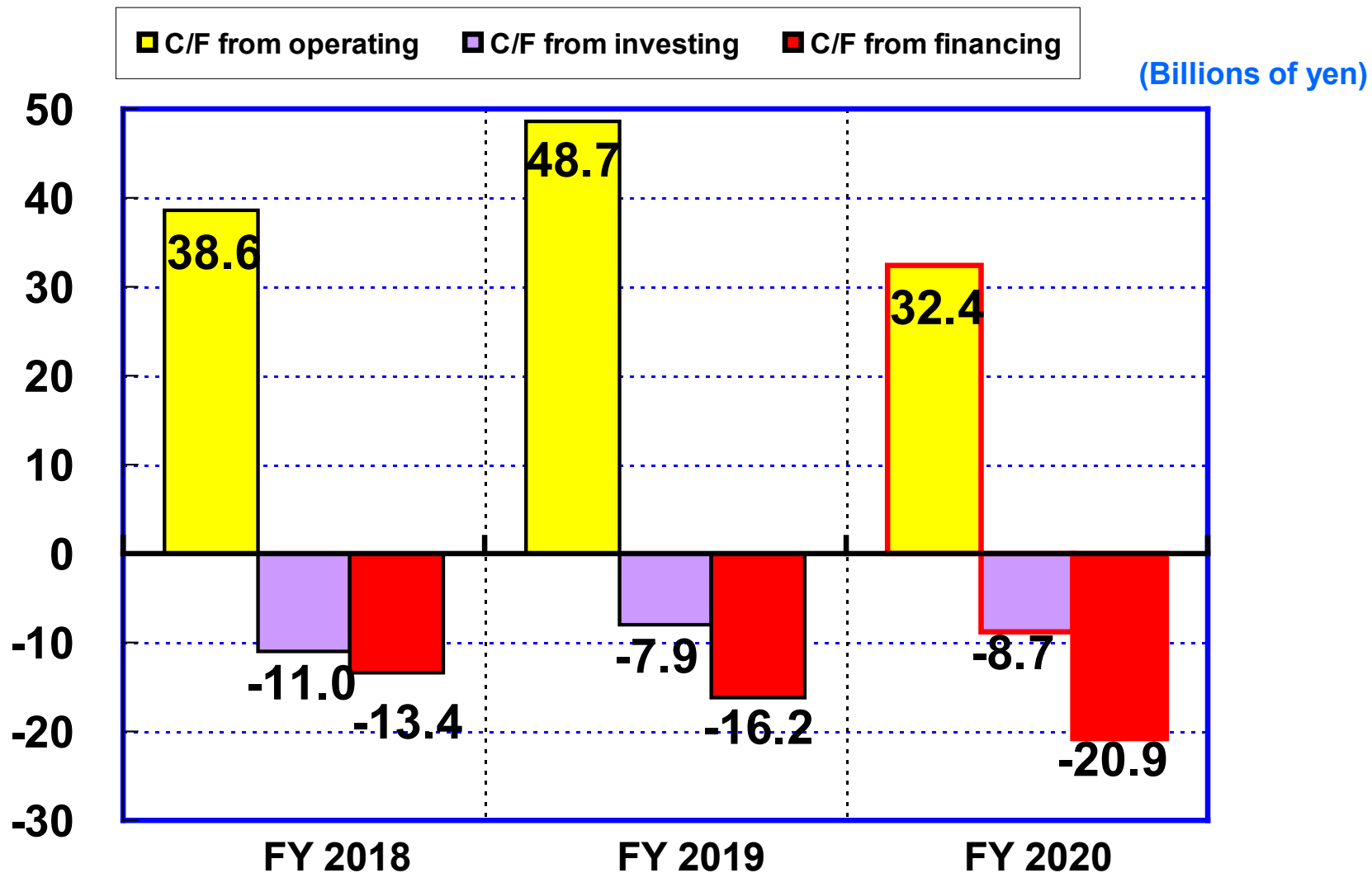
* "Less than 1 billion yen" includes public offices.

Sales breakdown by customers' type of industry

FY 2020

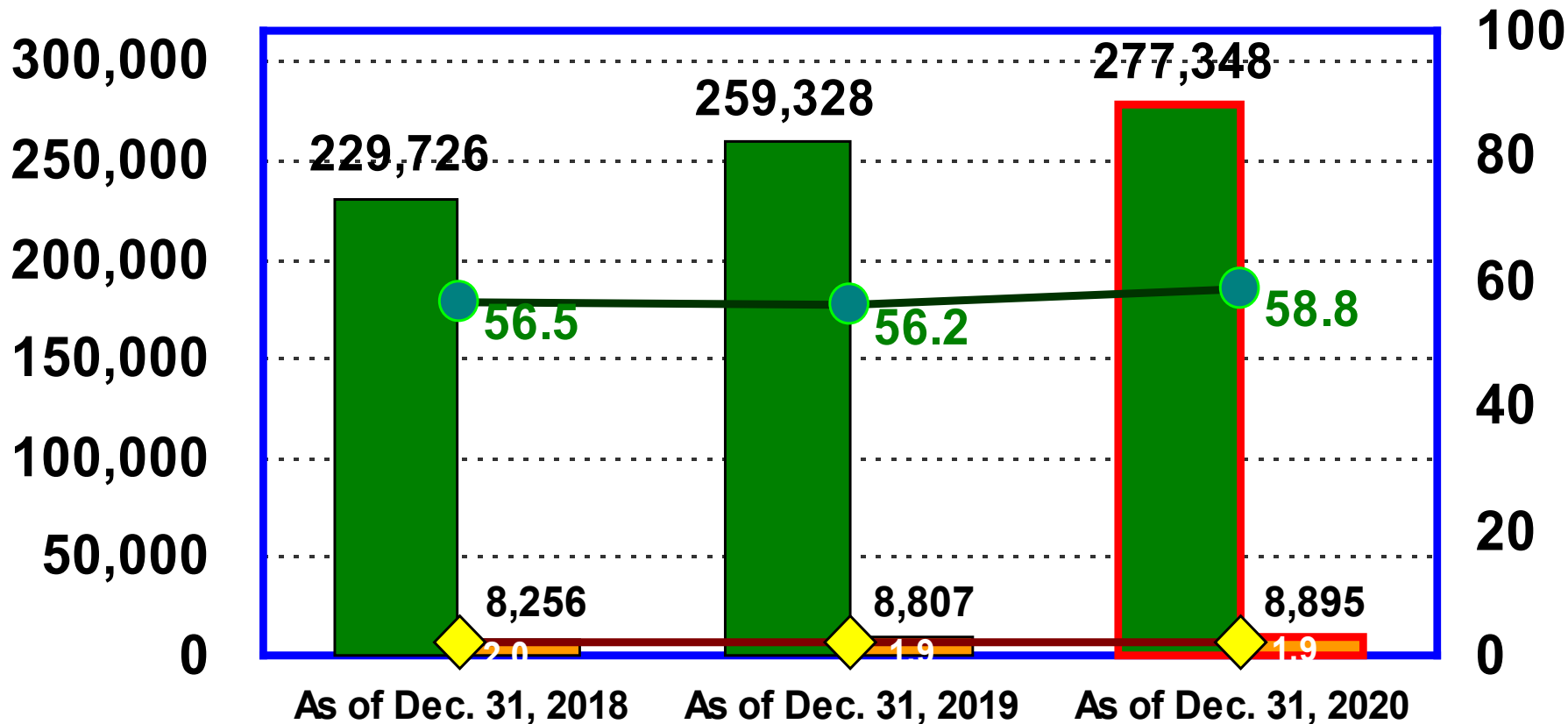
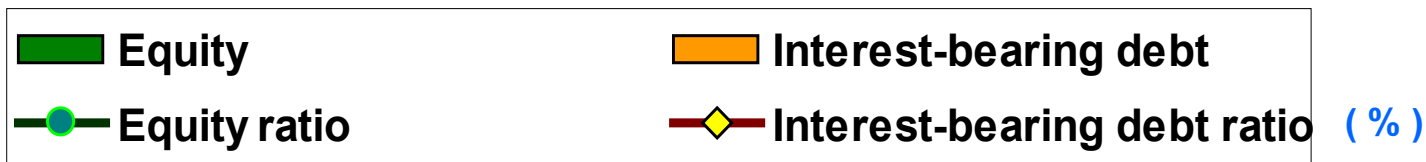


Cash flows

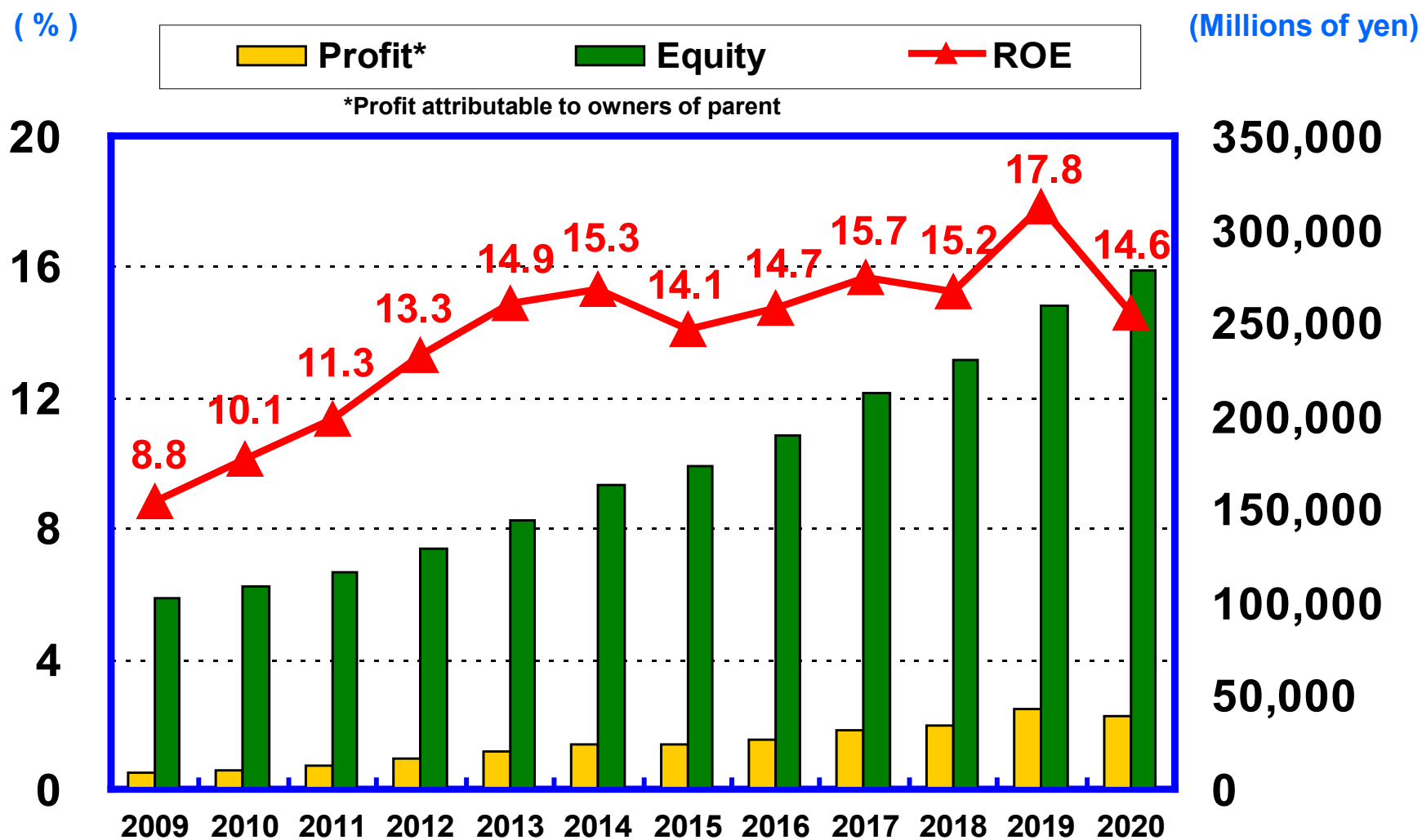


Equity and Interest-bearing debt

(Millions of yen)



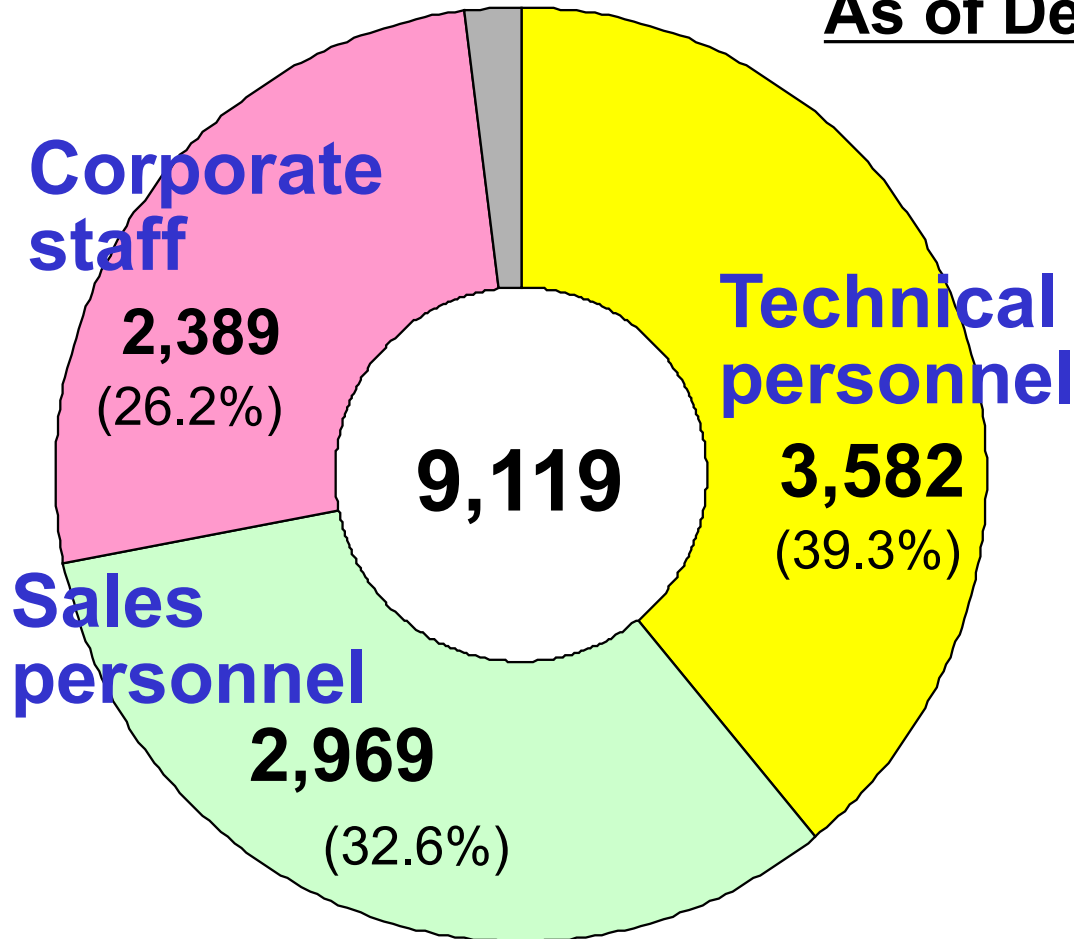
ROE



Personnel organization (regular employees)

Others 179 (2.0%)

As of Dec. 31, 2020



Key strategic business

<Amount of Sales>

(Millions of yen)

	2018 Jan. – Dec.	2019 Jan. – Dec.		2020 Jan. – Dec.			2020 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”	159,932	166,649	+4.2%	163,448	-3,201	-1.9%	43,799	+2,193	+5.3%
SMILE	11,715	13,241	+13.0%	11,568	-1,673	-12.6%	3,172	-175	-5.2%
ODS	55,715	55,798	+0.1%	52,117	-3,681	-6.6%	13,246	-291	-2.2%
OSM	71,662	77,535	+8.2%	81,847	+4,312	+5.6%	21,086	+1,940	+10.1%

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

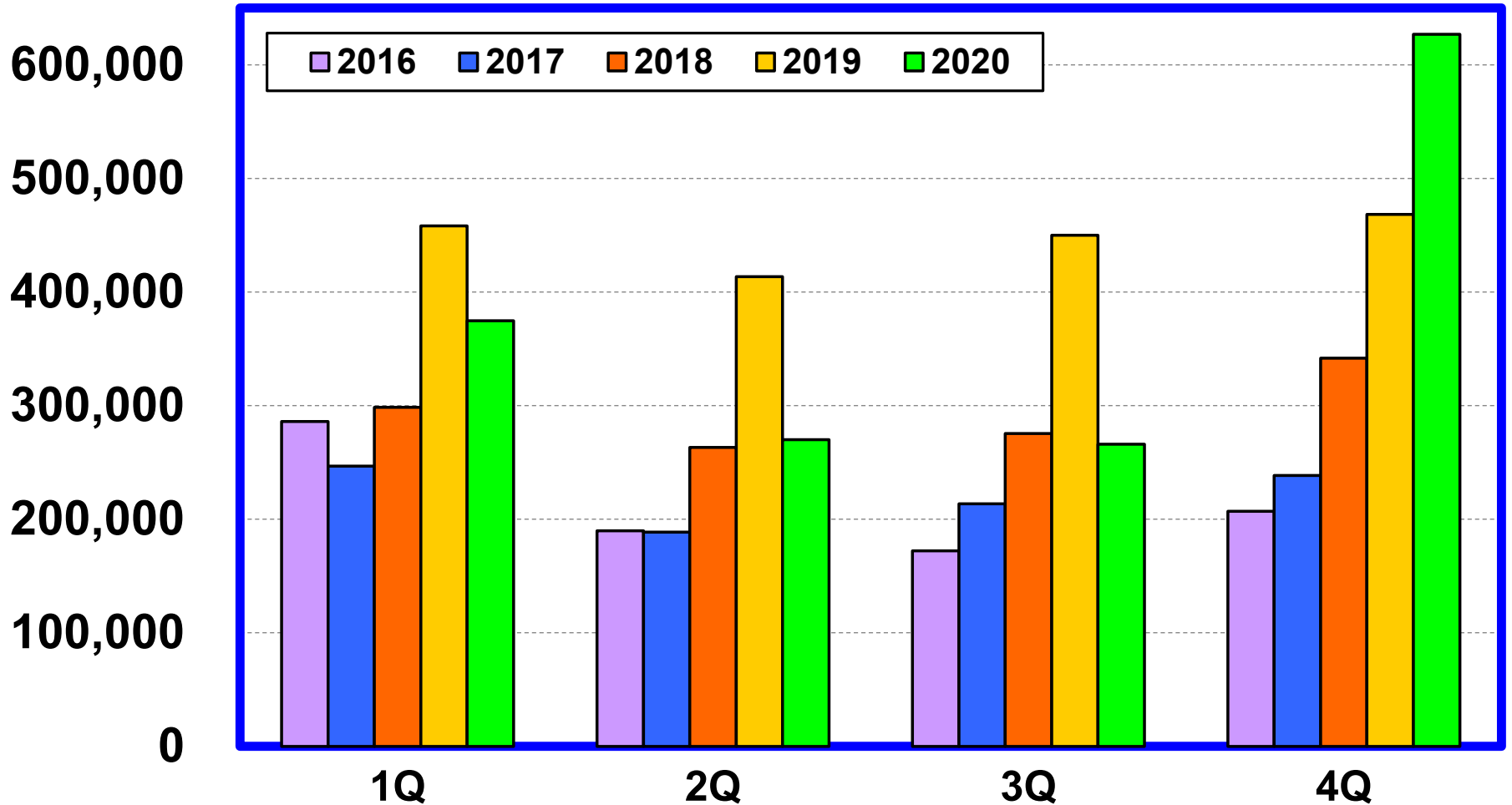
<As reference: Number of Sales>

(Units)

Copier	41,046	37,930	-7.6%	36,619	-1,311	-3.5%	10,009	+1,142	+12.9%
(of which Color copier)	39,825	36,648	-8.0%	35,690	-958	-2.6%	9,777	+1,248	+14.6%
Server	32,000	32,063	+0.2%	25,507	-6,556	-20.4%	6,032	-1,680	-21.8%
PC	1,178,899	1,789,884	+51.8%	1,537,963	-251,921	-14.1%	626,991	+158,720	+33.9%
Client Total	1,222,643	1,830,498	+49.7%	1,638,051	-192,447	-10.5%	694,670	+216,668	+45.3%

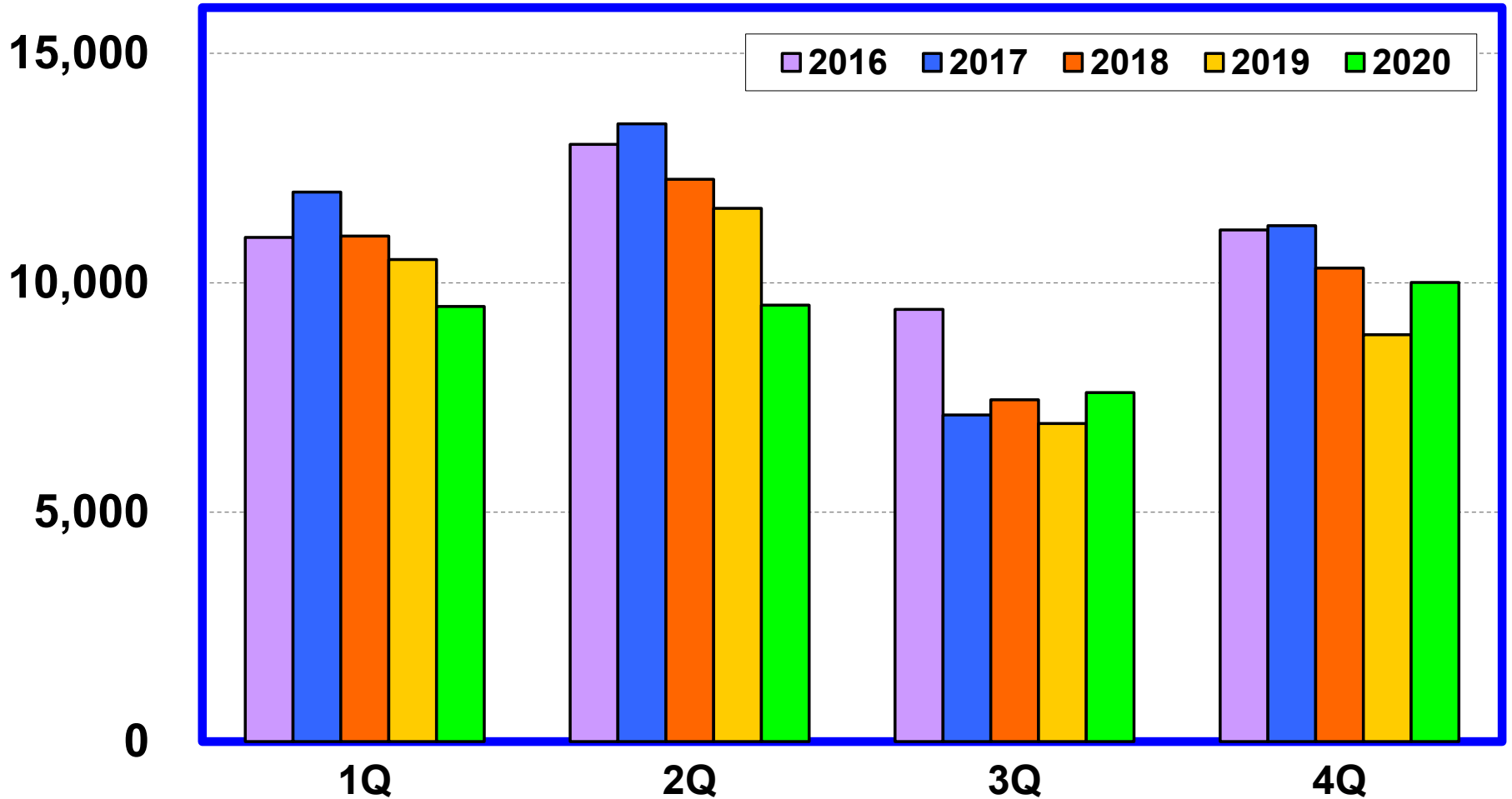
Quarterly Number of PCs Sold

(Units)



Quarterly Number of Copiers Sold

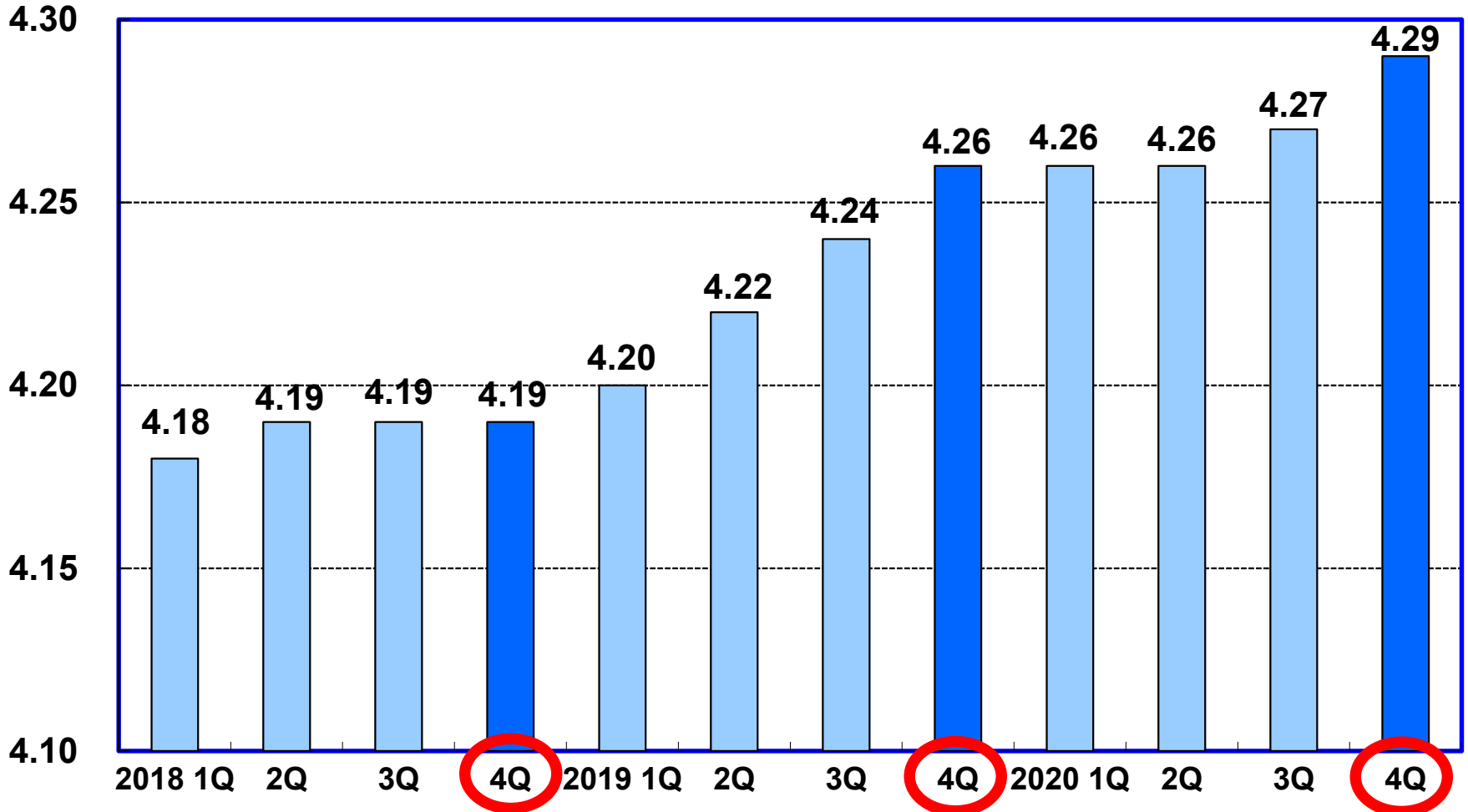
(Units)



Trends in the number of products per one company

(Copier customers)

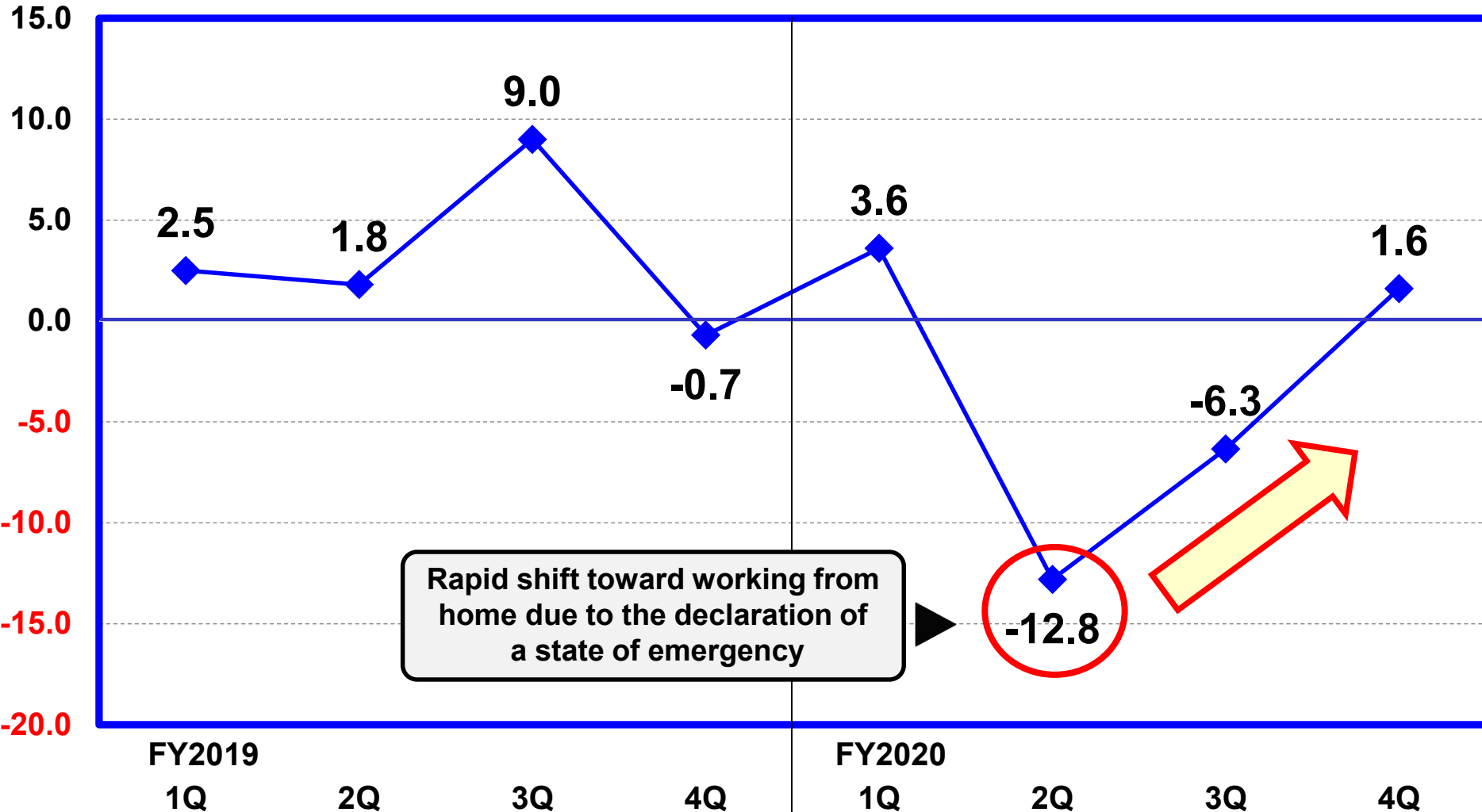
(Products)



Office supply and Copier maintenance services sales

Changes in increase/decrease rate vs the previous year

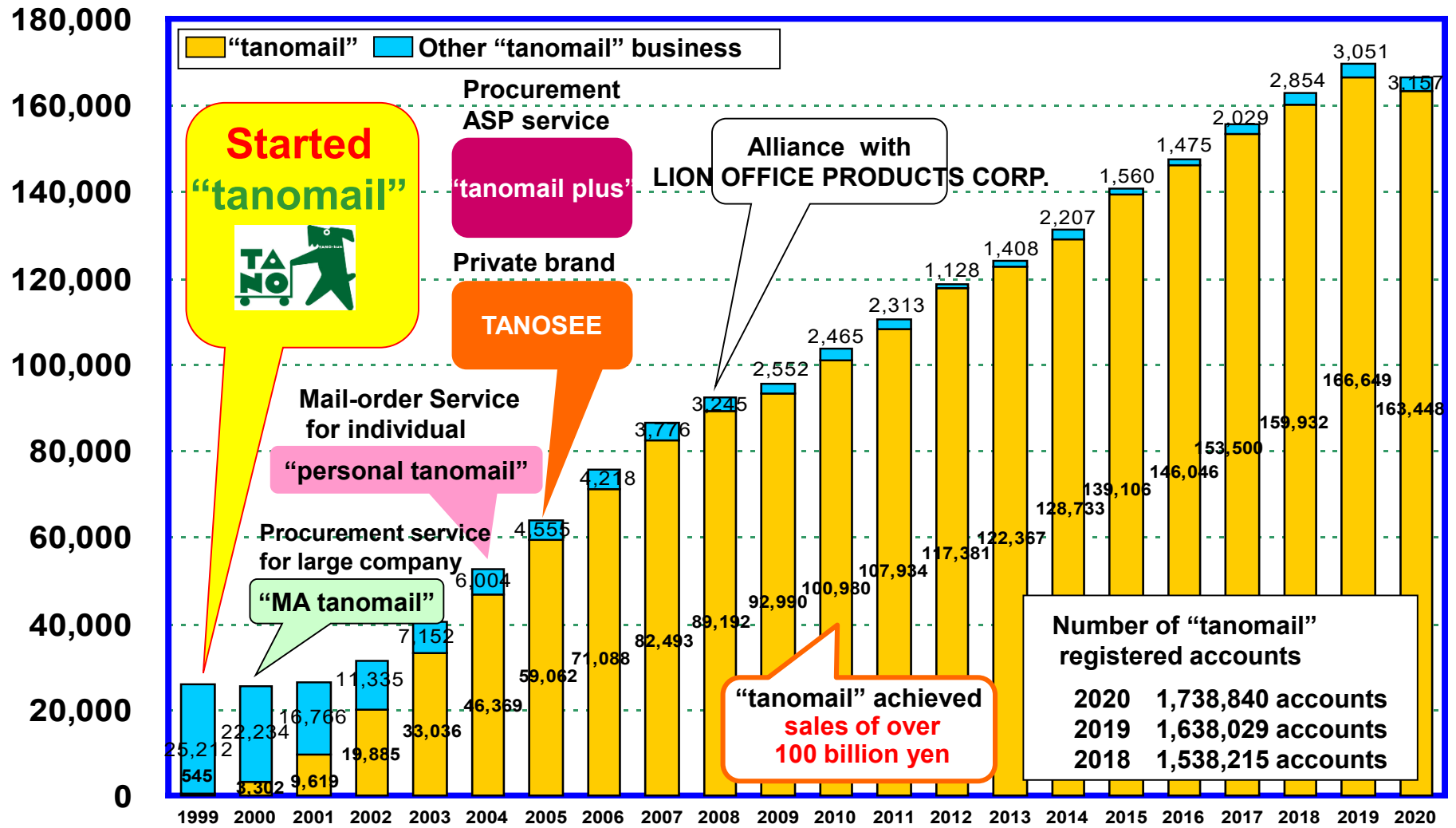
(%)



Rapid shift toward working from home due to the declaration of a state of emergency

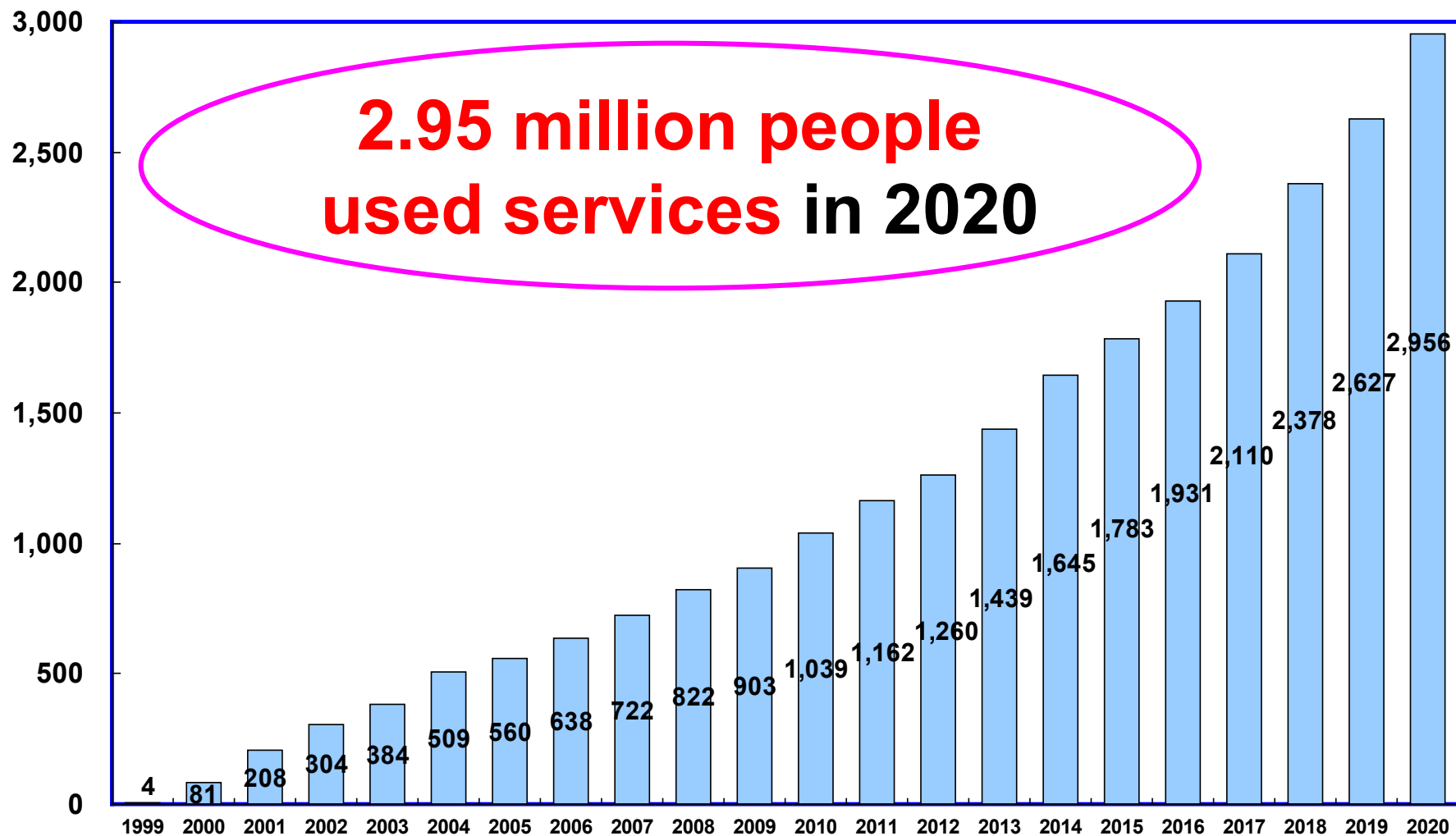
Annual sales transition of "tanomail"

(Millions of yen)



Number of Users of Main Web Services (ASP)

(Thousand people)

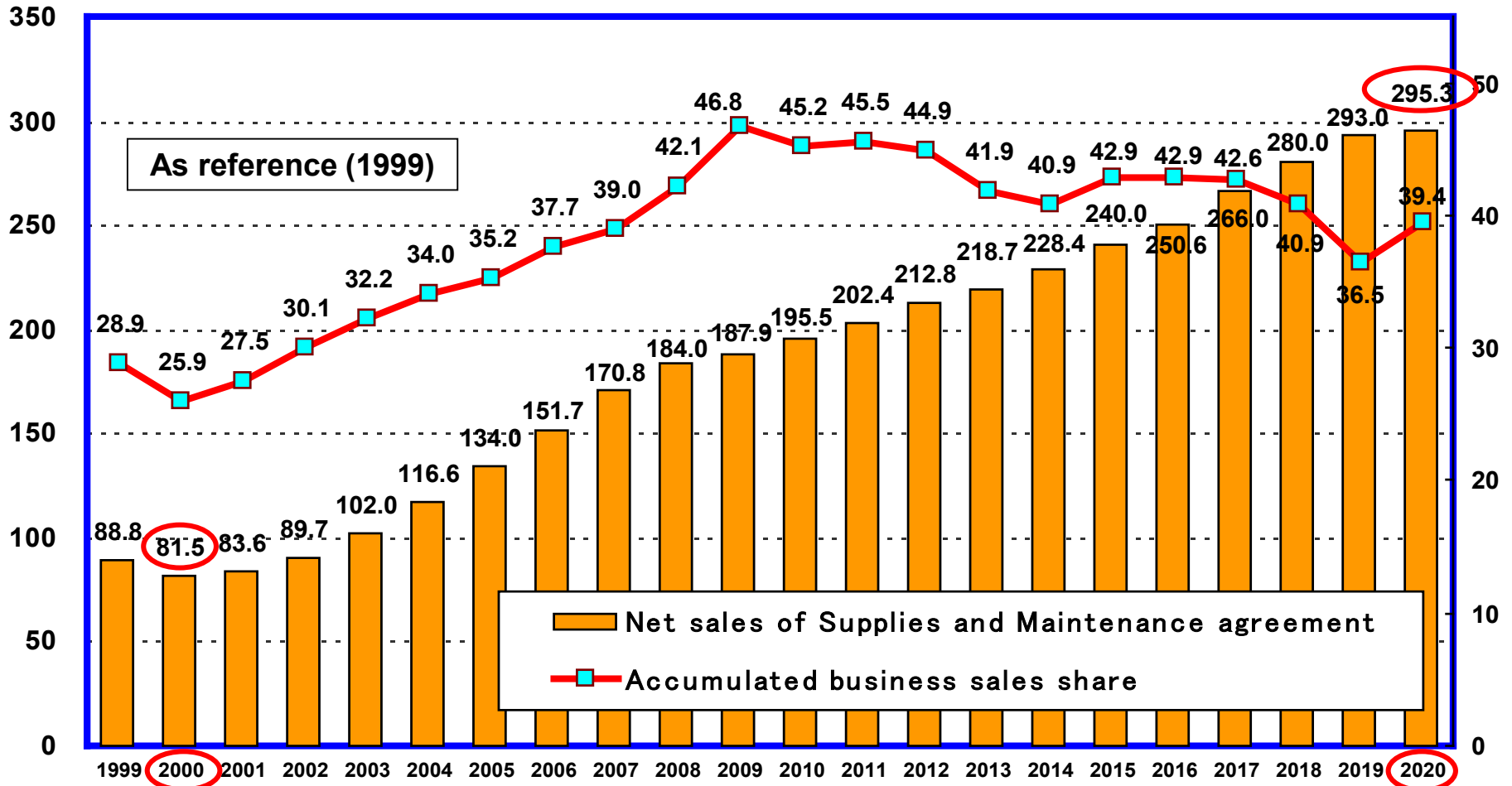


Growth of accumulated business

Net sales of Supplies and Maintenance agreement Accumulated business sales share

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

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 >

- **Maintain stable growth while responding to changes in the environment**

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

- **Workforce plan calls for slight increases while focusing on productivity improvements**
- **Cultivate new demand by utilizing customer information**
- **Effective use of people/materials/money to improve per head productivity**

Market Environment in 2021

- **Uncertain future due to the spread of COVID-19**
- **Movement to promote digitization in the government and private sectors**
- **Firm establishment of telework and responses to new working styles**
- **Expansion of markets such as AI, IoT and 5G**
- **Corporate needs for IT utilization are strong**

Policies and Measures in 2021

“Get close to and grow together with customers in DX and document solutions.”

- **Promote “Entire Office” by raising customer satisfaction**
- **Further promote DX**
- **Deploy specific document solutions based on Otsuka’s experience and know-how**
- **Continue initiatives for “Otsuka Strategy II”**

Play the Role of Promoting Digitization of Small- and Medium-Sized Enterprises

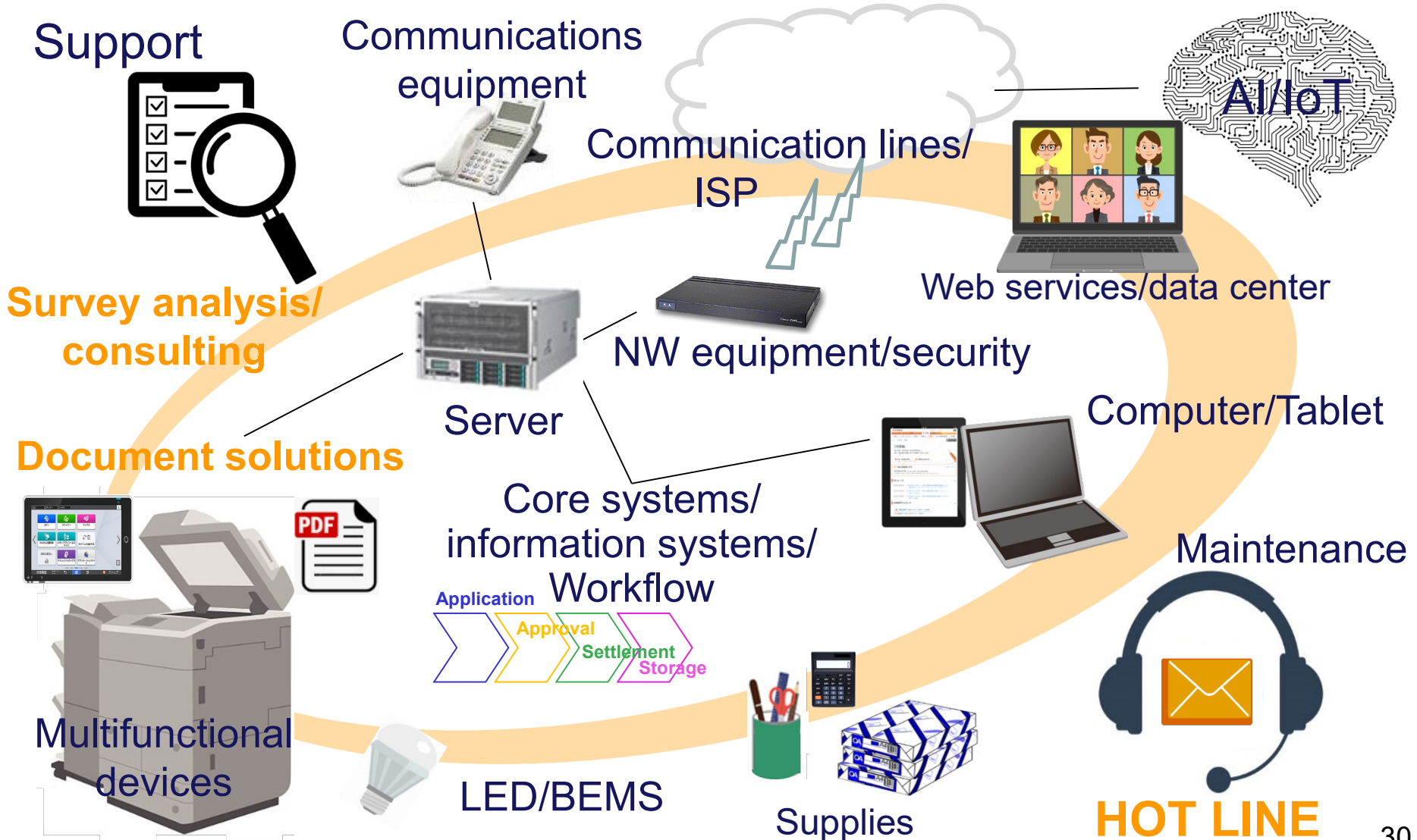
Whole solutions to the problems of customers

**Digital
transformation**
DX

**Document
solutions**

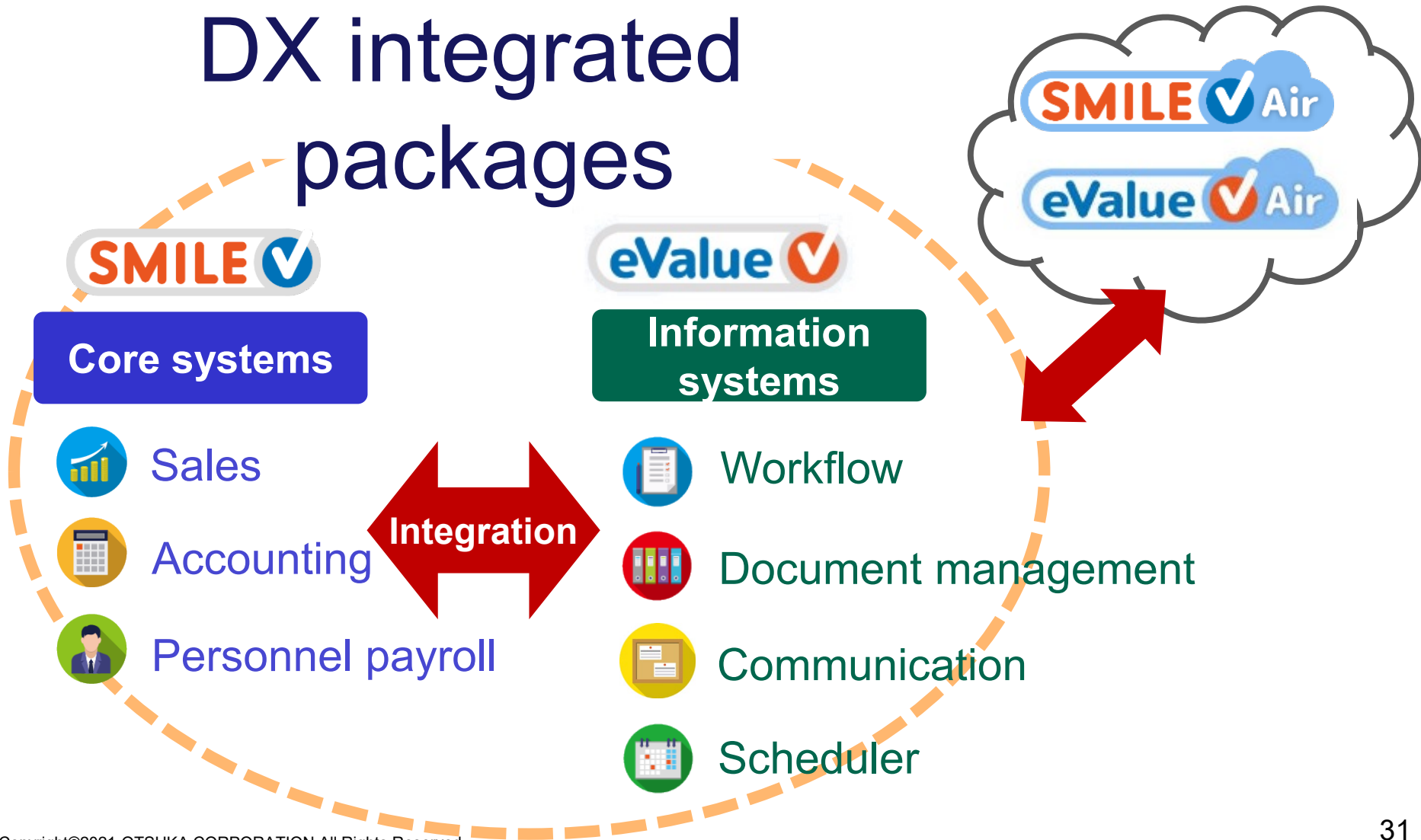
**Utilize new technologies
such as AI**

OTSUKA CORPORATION for the Entire Office



DX solutions

DX integrated packages

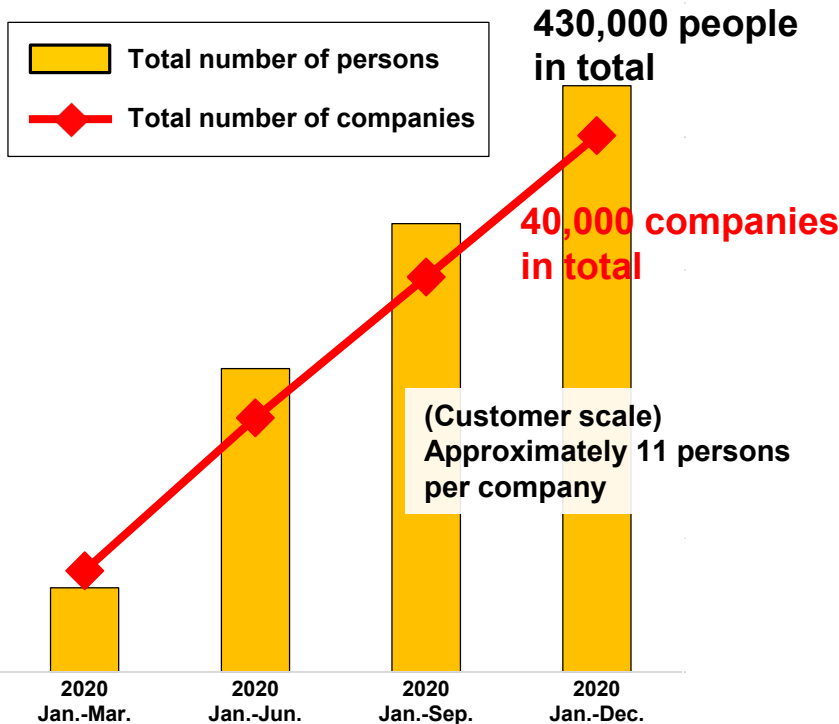


Support for Introducing Telework and New Issues

Numerous issues learned from telework. Document-related issues rank at the top.

[Support for establishing a telework environment]

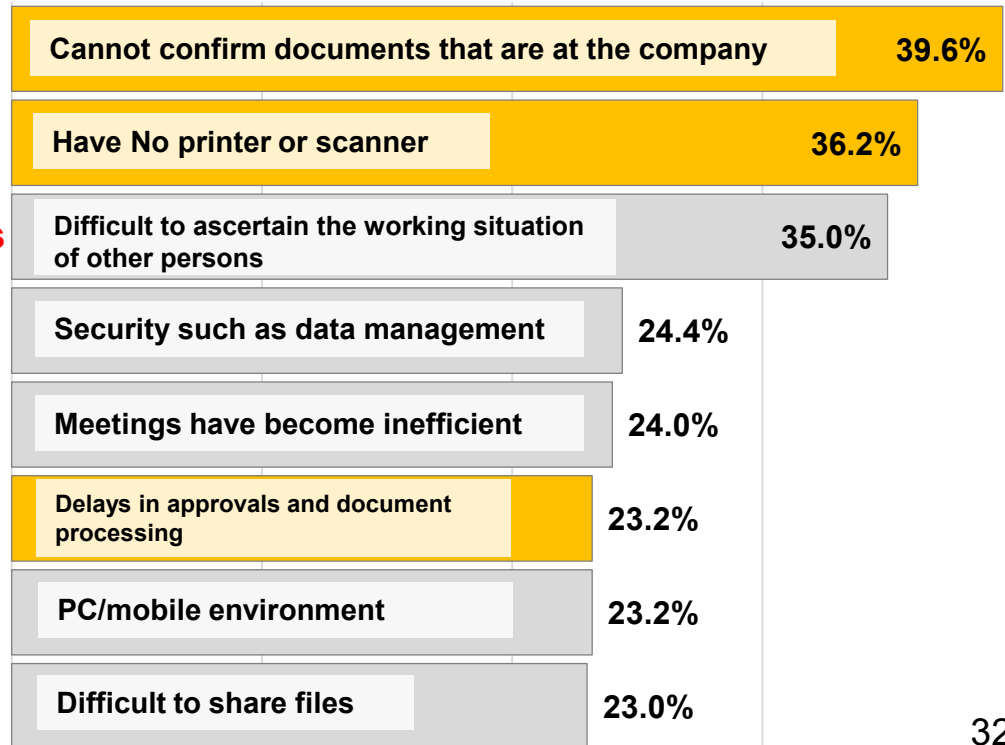
* OTSUKA CORPORATION'S support results (2020)



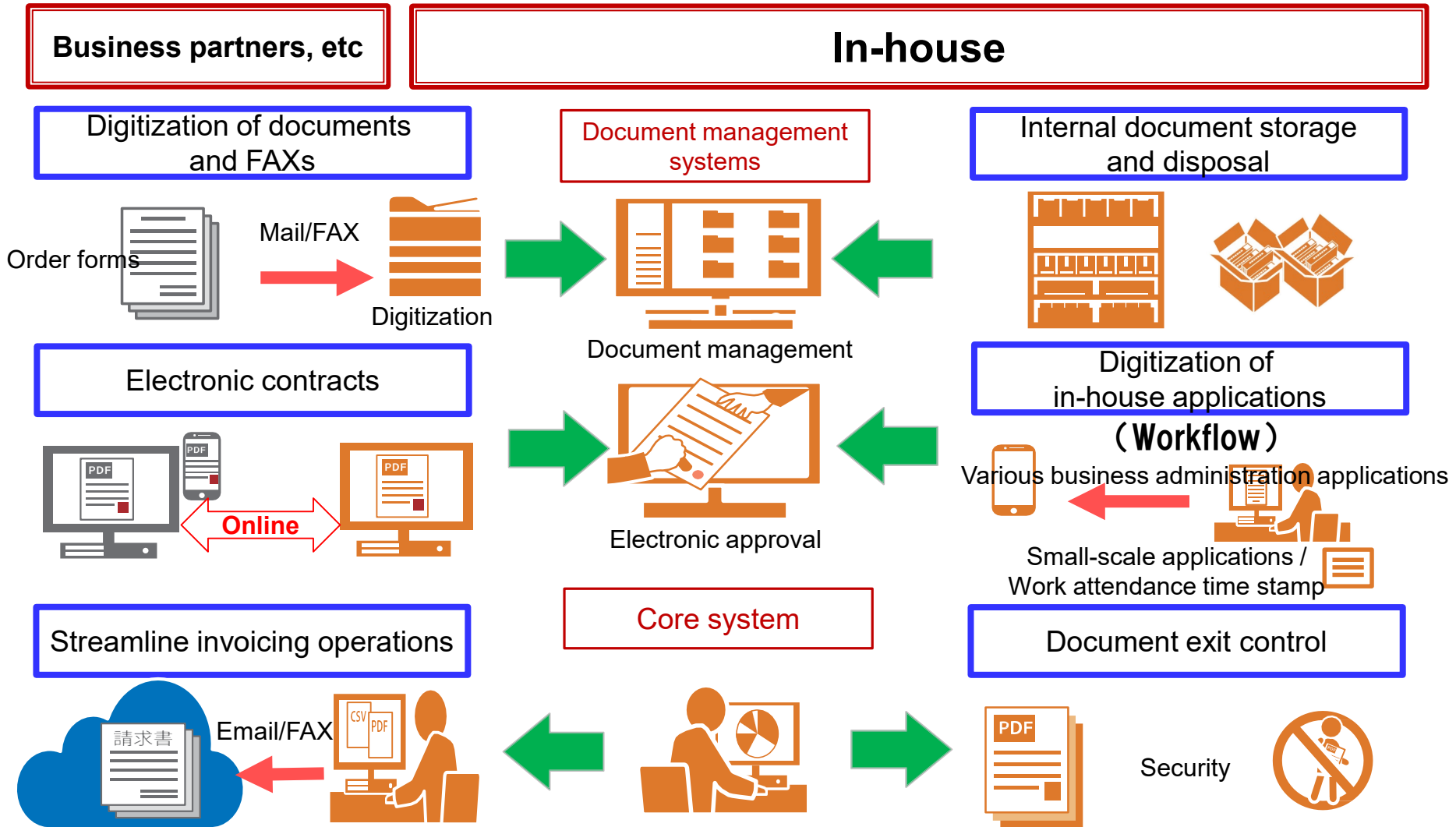
[New issues needing to be solved]

Legend: Document related

* Telework issues (excerpt from Adobe's survey)

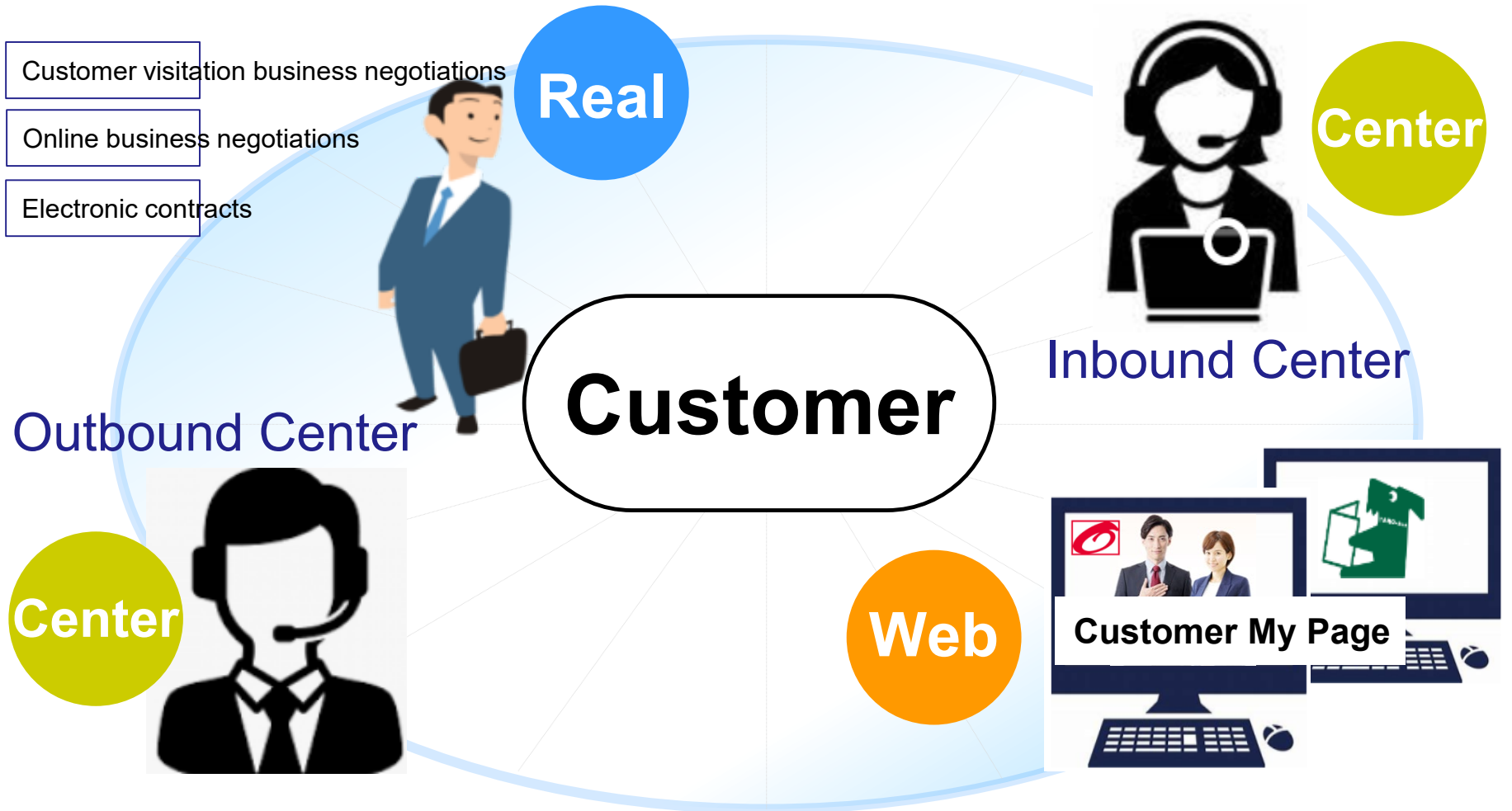


Document solutions



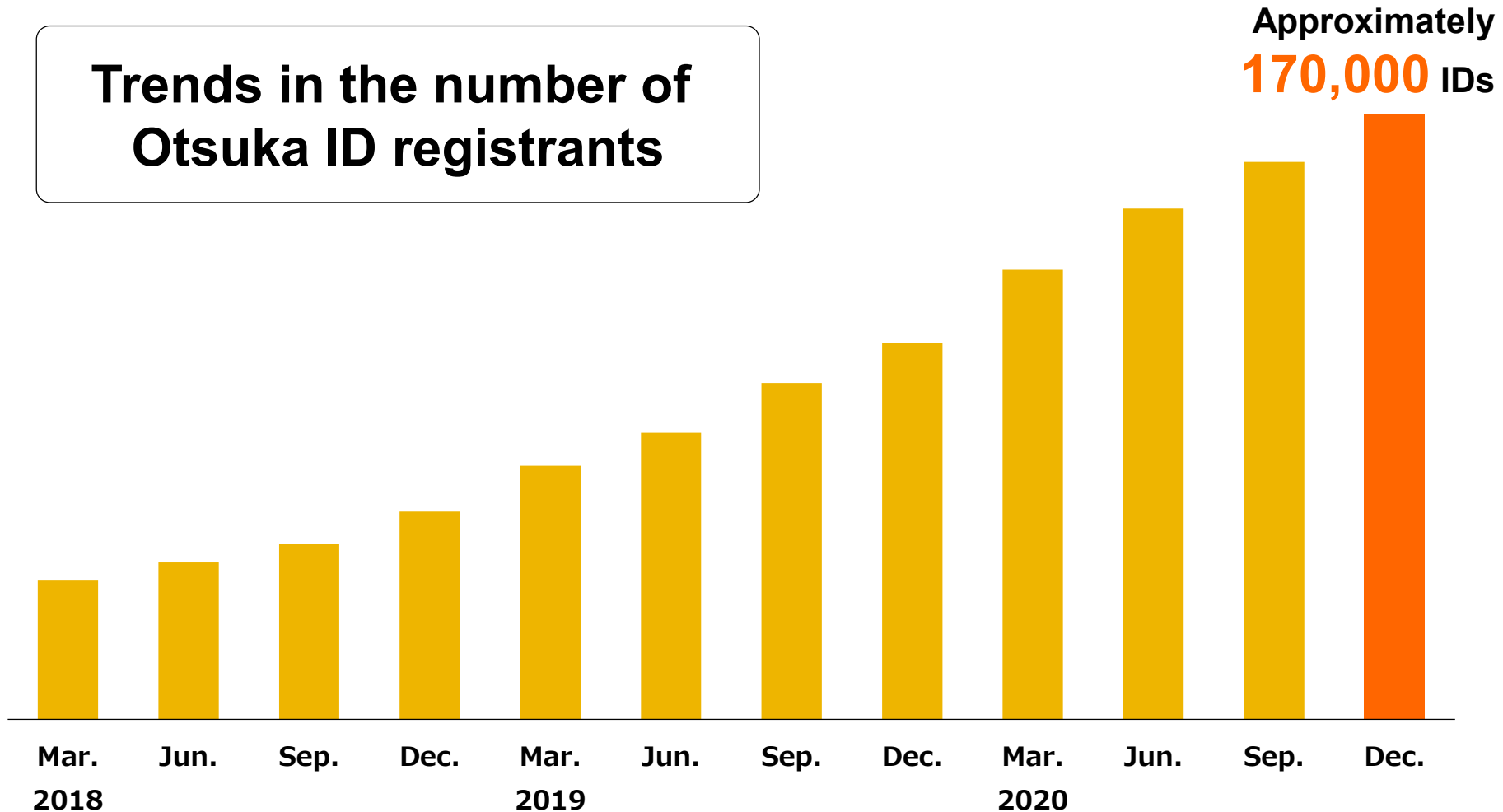
～ “Otsuka Strategy II” ～

Get close to customers with “All Otsuka”



Continuously connect and create relationships with customers through real contacts, the Web and centers

Trends in the number of Otsuka ID registrants



Customer Support Initiatives Utilizing AI

“Otsuka Strategy II”

Sales process

Initial activities

Identify and share issues

Proposals/Estimates

Close

Delivery

Follow-up



From August 2019

Destination/product recommendation

Promote business negotiation process

Follow-up after introduction

Assist in building relationships of trust with customers

Order receiving rate AI > Overall

Approximately **5%**

AI estimates the project conditions and provides recommendations to sales

Deepen relationships with customers

Support

iPhone app



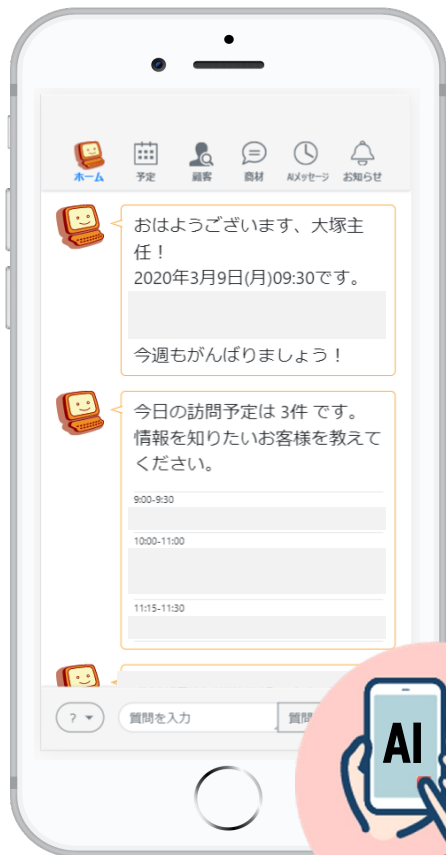
AI assistant

Utilization of AI

AI assistant

“Otsuka Strategy II”

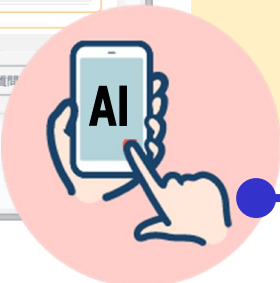
Sales My Secretary



【 Equipped with various types of functions 】

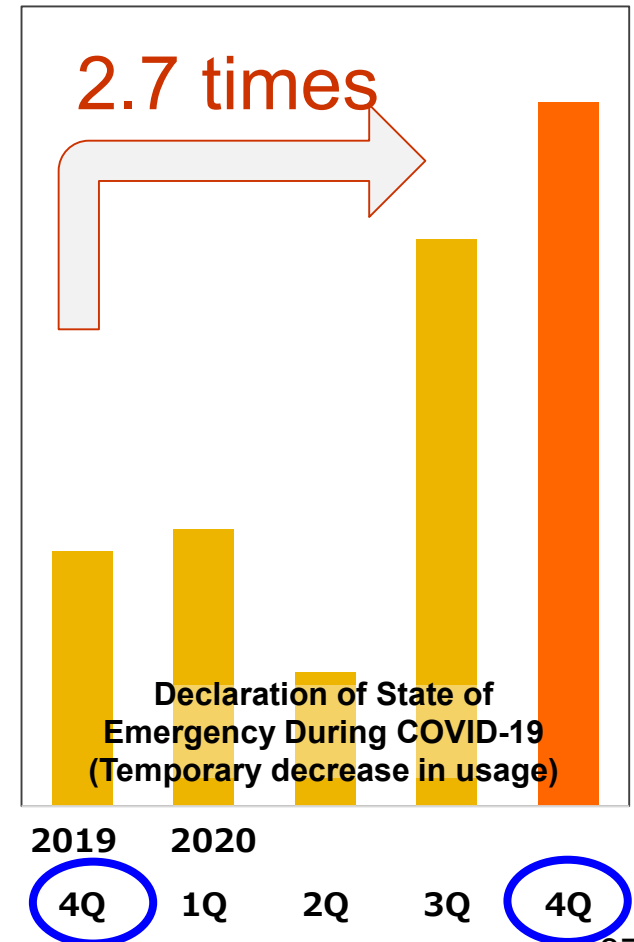
- ▼ Conversation-type consultations
- ▼ Information search
- ▼ AI message
- ▼ Instructions for creating estimates
- ▼ Others

*Continually strengthen



Collaboration between AI and RPA

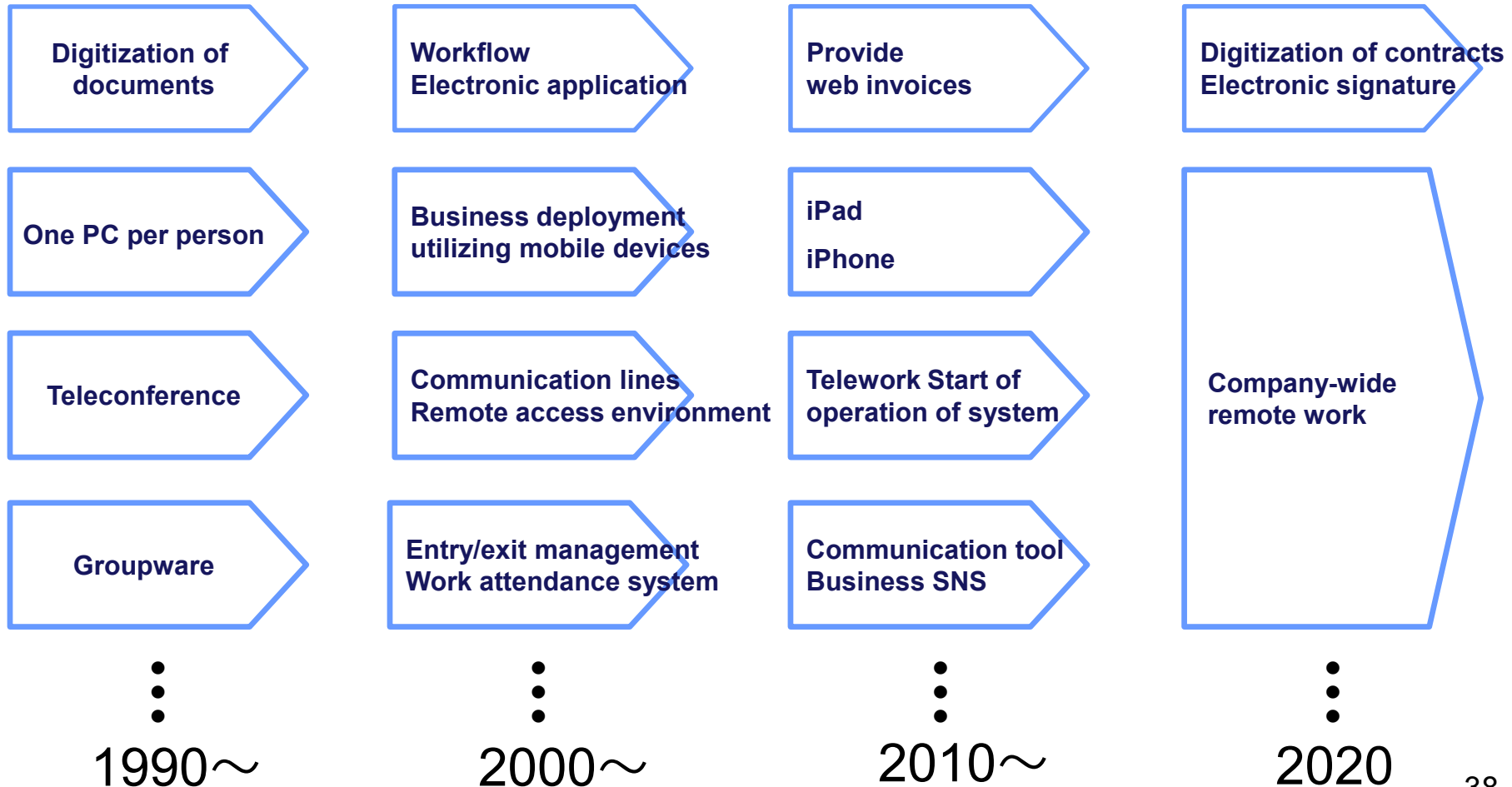
【Number of times used monthly per person】



History of Otsuka's Digital Shift

1961~

DNA Copiers/Multifunctional devices

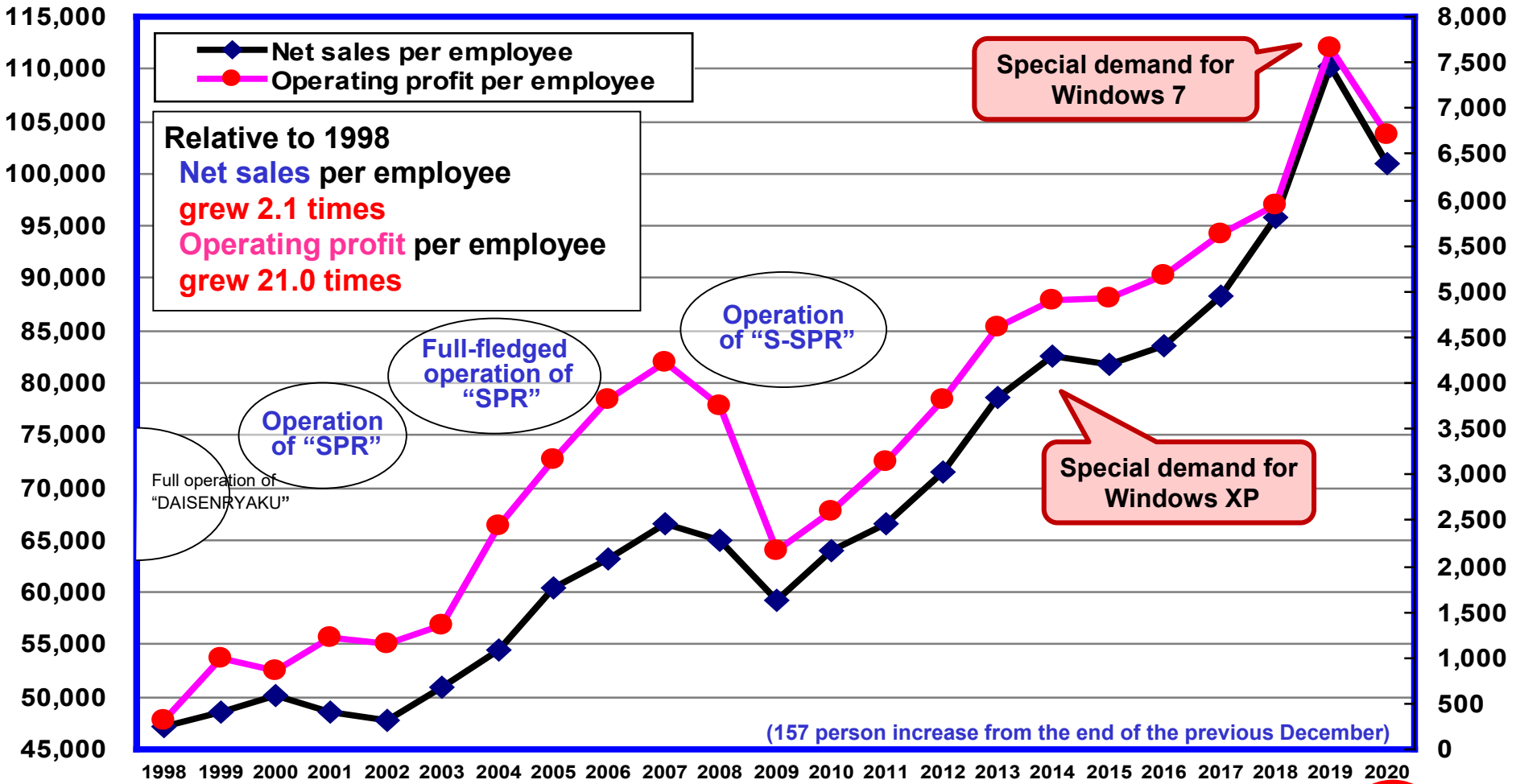


Non-Consolidated

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)



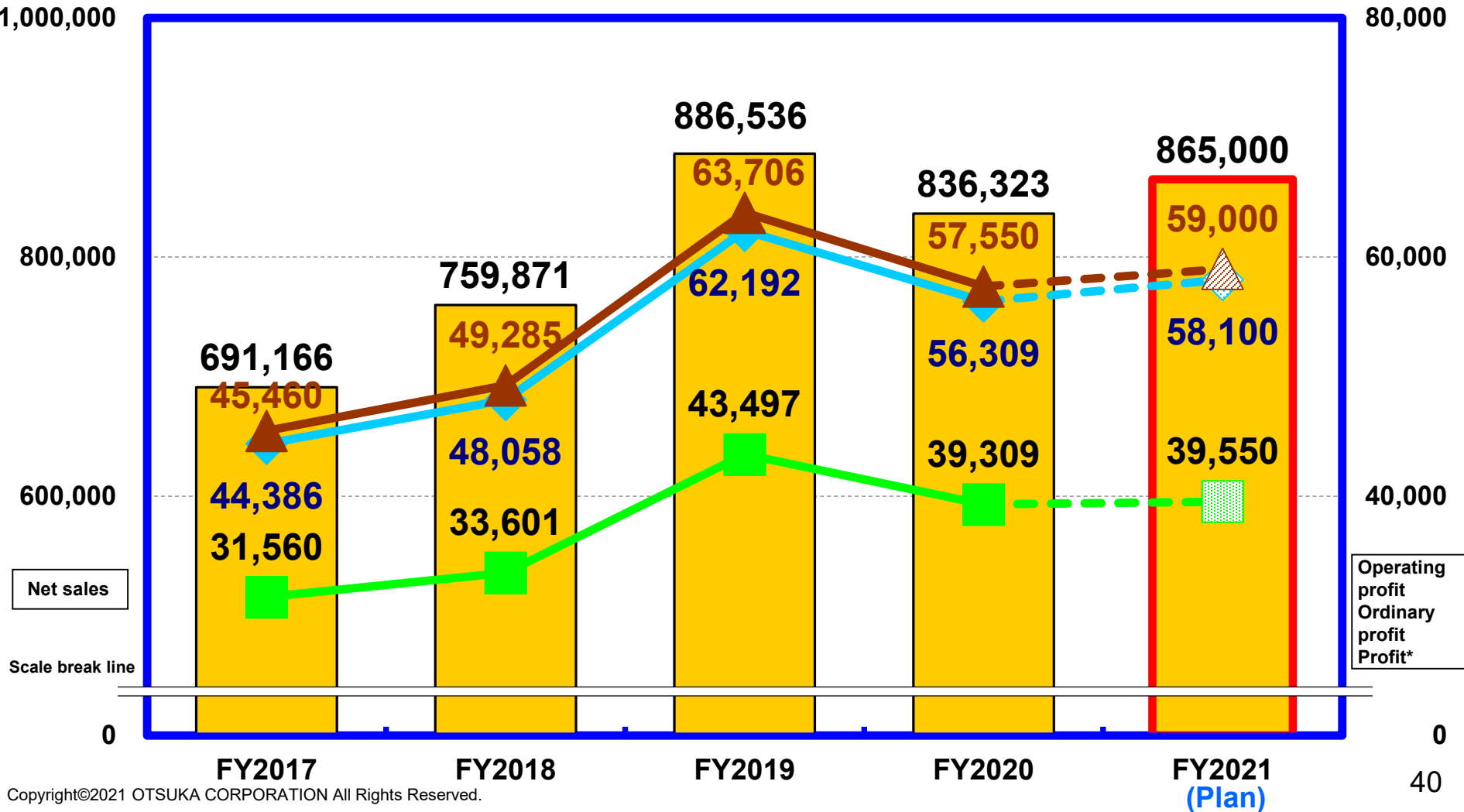
(157 person increase from the end of the previous December)

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	7,429
Number of days off	118	118	118	120	122	123	125	126	126	126	129	129	127	127	124	128	128	127	128	127	131	136	132

Consolidated

Plans of Net sales and profit

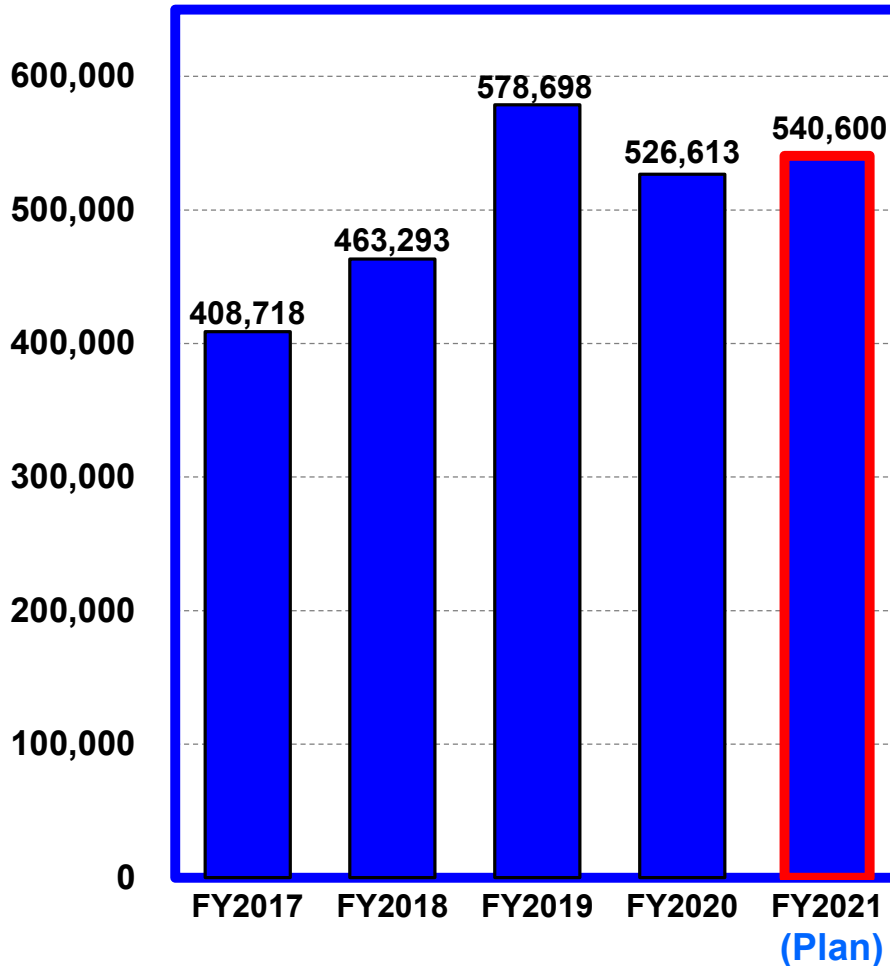
Net sales Operating profit Ordinary profit Profit*
*Profit attributable to owners of parent (Millions of yen)



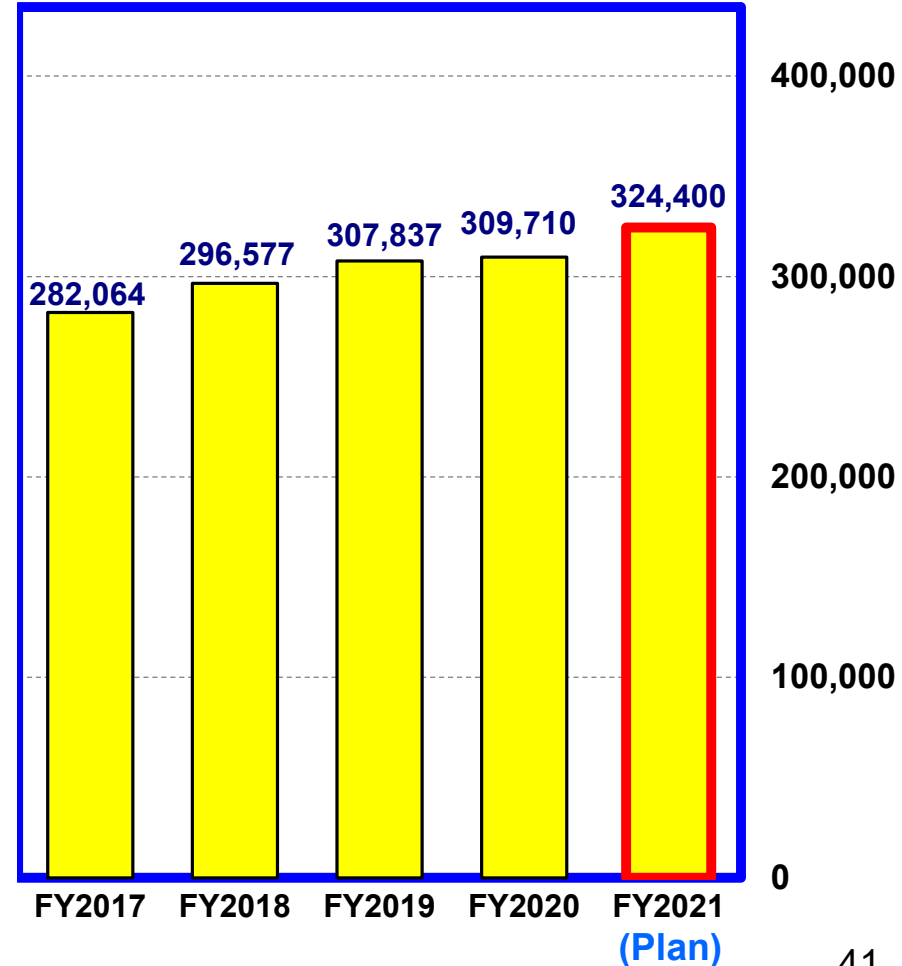
Plans of Net sales by segments

(Millions of yen)

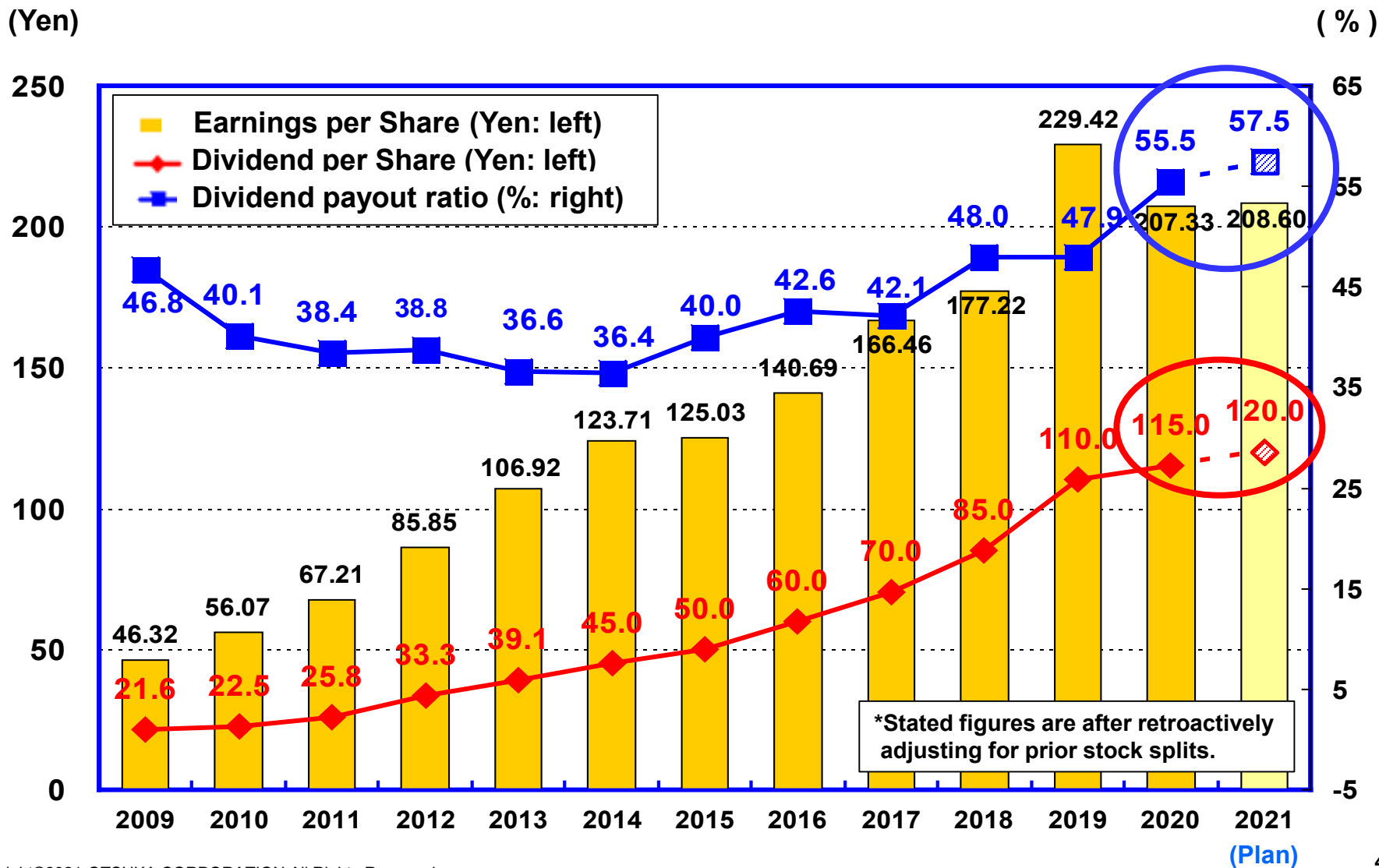
■ SI Business



■ S&S Business



Dividends



Jissen (Practical) Solution Fair 2021

**Improve the efficiency of the entire office,
starting with digitization**

OTSUKA CORPORATION

Jissen (Practical) Solution Fair 2021

Held

Online this year

Event date: February 3rd (Wednesday) - March 12th (Friday), 2021

Limited invitations



Community

Customers

**We live up to our
Stakeholders' confidence**

**Shareholders
Business Partners**

Employees

Cautionary statement

1. This material is intended to provide information about the business performance 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.
3. Statements in this document are based on the current beliefs, estimates and expectations of management. OTSUKA CORPORATION undertakes no obligation to update any forward-looking statements.
4. OTSUKA CORPORATION shall in no event be liable for any damages arising out of the use or interpretation of this material.