



**Fiscal year ending December 2022**

**Six months** (January – June)

**Business Results**

**August 1, 2022**

**OTSUKA CORPORATION**

**Yuji Otsuka, President**

# Points to Note In This Document

- OTSUKA Corporation has applied “**Accounting Standard for Revenue Recognition**” (ASBJ Statement No. 29) from the beginning of the fiscal year ending December 2022.
- Amount of impact of change in accounting standard  
**An approximately 18.1 billion yen decrease in net sales in the current fiscal year**  
(Amount of impact assuming that the standard was applied in the previous fiscal year: decrease of approximately 16.7 billion yen)
- Net sales prior to the previous fiscal year are stated based on the previously applied accounting standard.  
(For items affected by the change in accounting standard, the “**reference rate of change**” that assumes the same standard was applied in the previous fiscal year is also listed.)

# Summary of Business Results, January - June, 2022

(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>445,336</b>	<b>102.2%</b>	<b>-4.6%</b>	<b>405,122</b>	<b>103.3%</b>	<b>-4.4%</b>

(Reference rate of change\*1)

( -1.0% )

( -0.5% )

<b>Operating profit</b>	<b>30,778</b>	<b>99.6%</b>	<b>-7.4%</b>	<b>27,930</b>	<b>102.1%</b>	<b>-5.5%</b>
<b>Ordinary profit</b>	<b>31,747</b>	<b>101.1%</b>	<b>-7.3%</b>	<b>29,699</b>	<b>102.6%</b>	<b>-4.9%</b>
<b>Profit*2</b>	<b>22,848</b>	<b>105.8%</b>	<b>-3.4%</b>	<b>21,924</b>	<b>106.2%</b>	<b>-0.8%</b>

\*1: Year-on-year rate of change in net sales assuming that the "Accounting Standard for Revenue Recognition" was applied in 2021

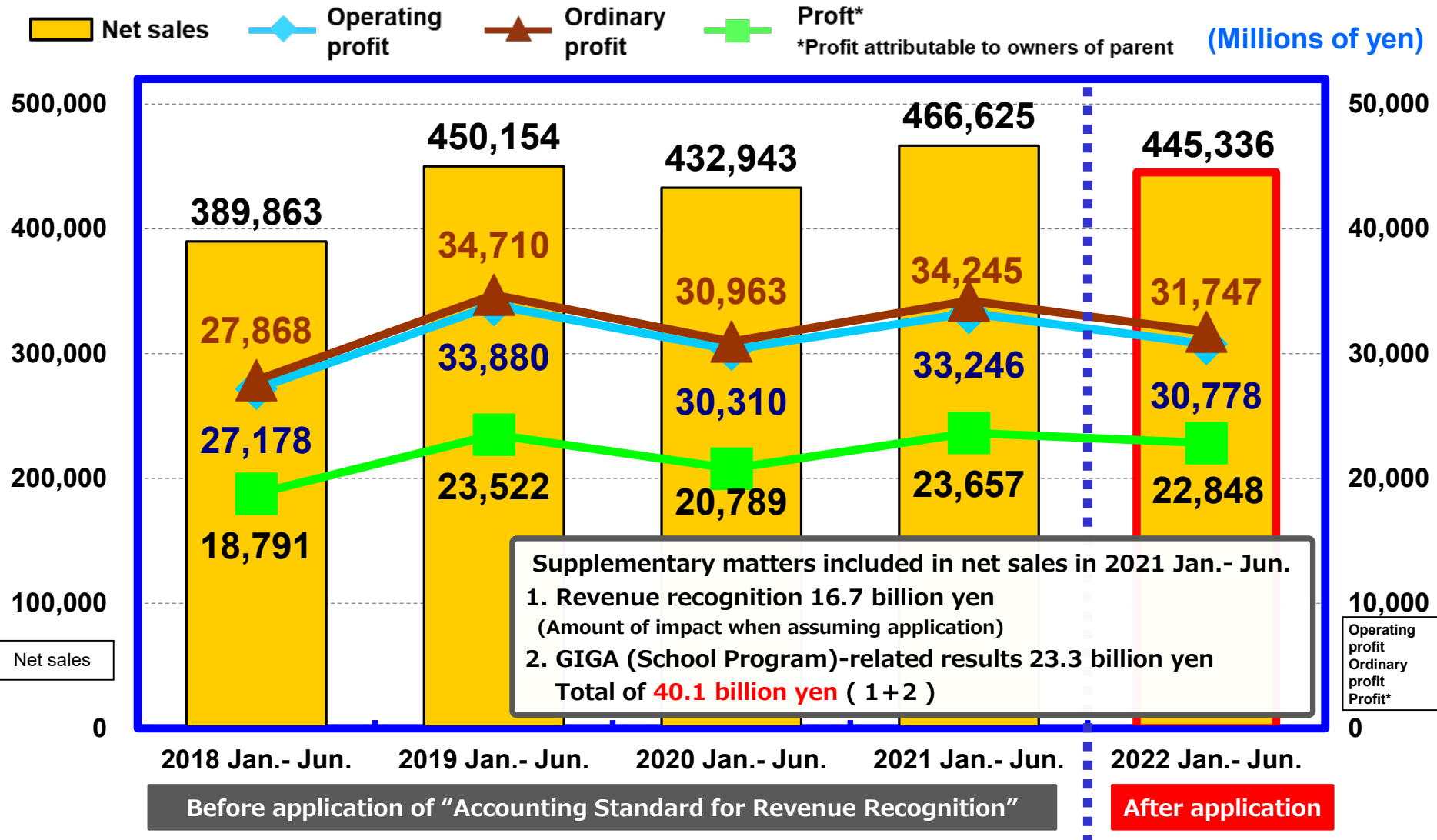
\*2: Profit attributable to owners of parent

# Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	2022 Jan.- Jun. Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	448	4,605
	Net World Corporation	Sales and technology support for network-related equipment	476	52,189
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	296	2,583
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	481	4,281

Consolidated

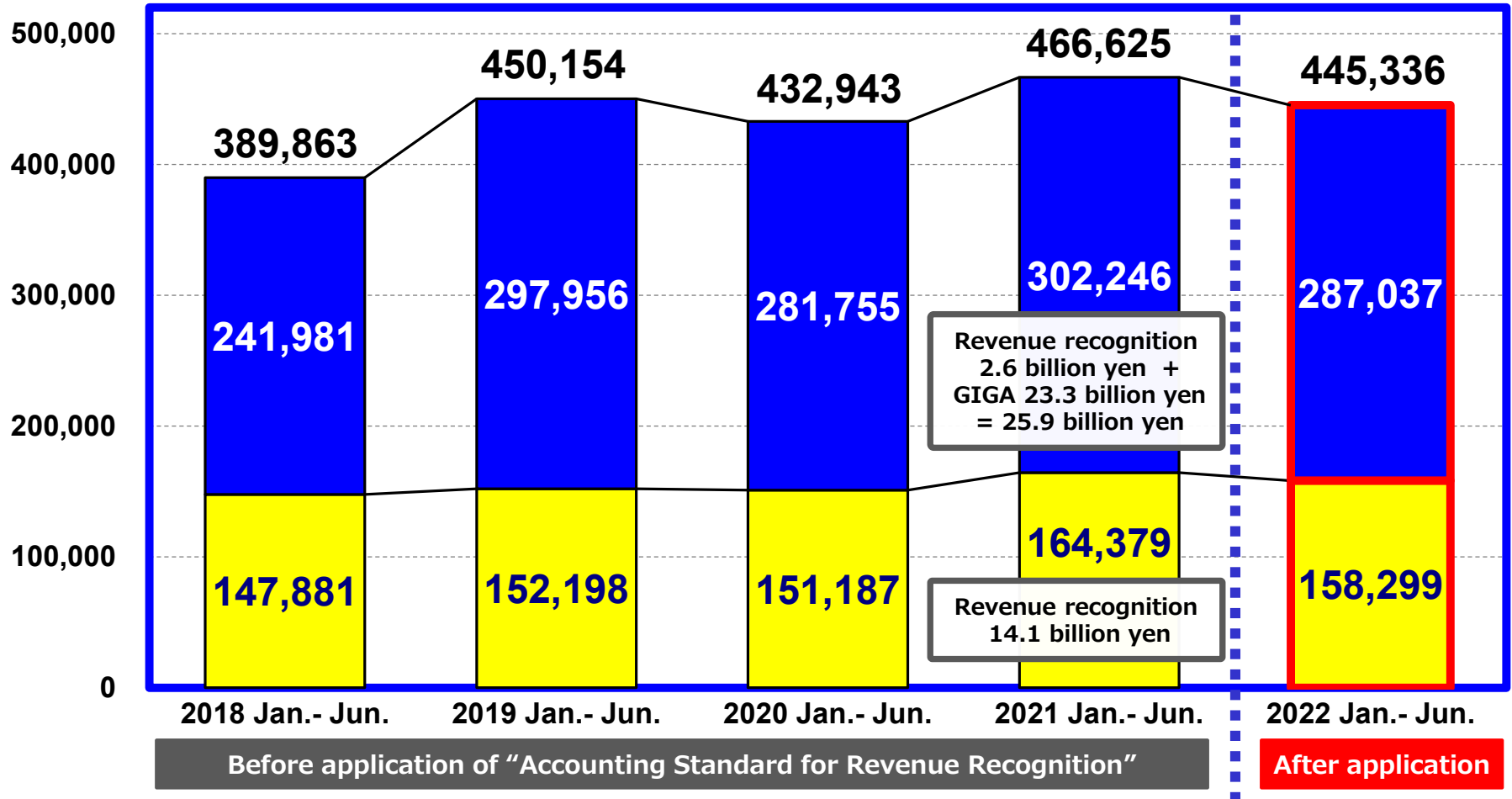
# Net sales and Profits



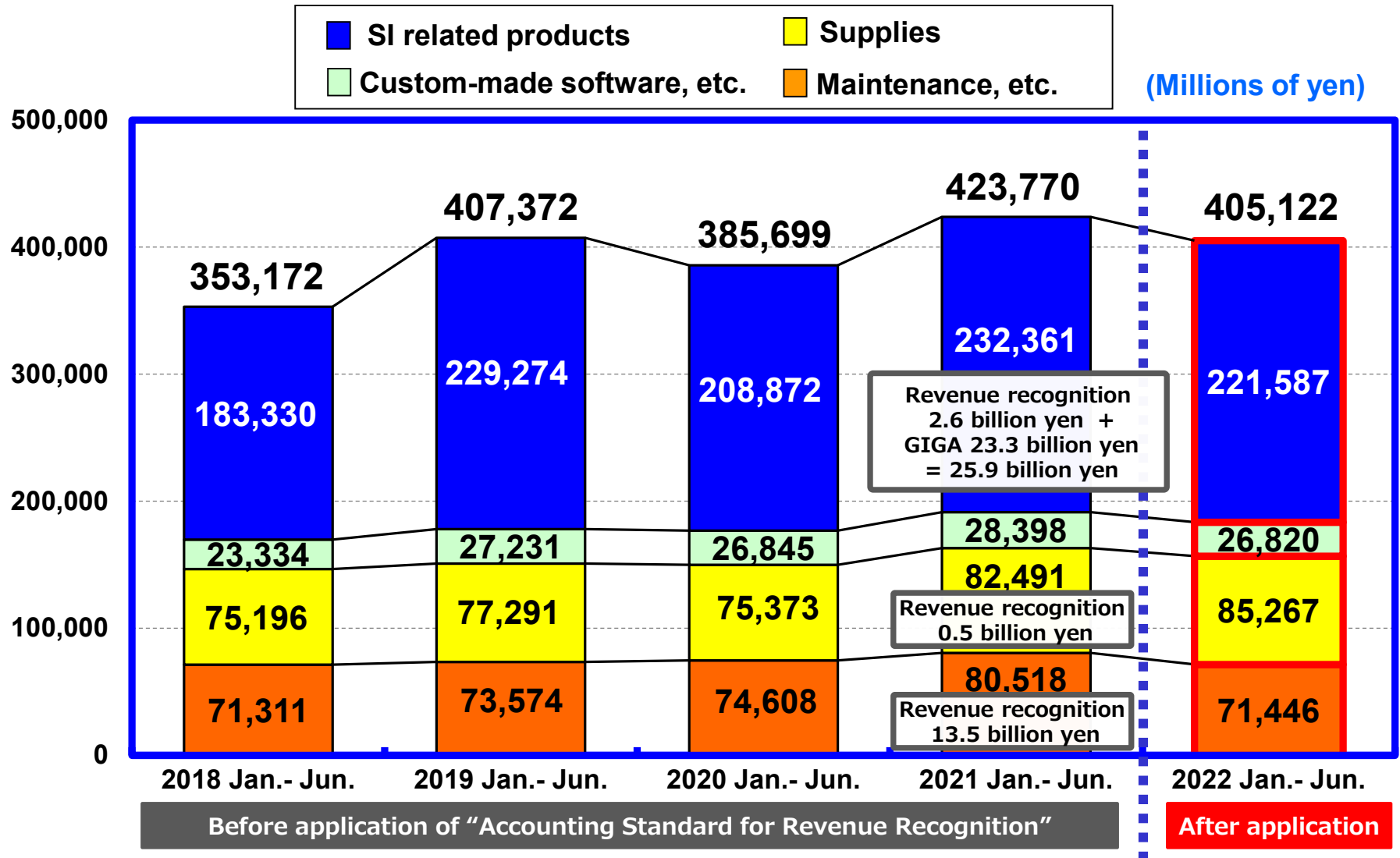
# Net sales by segments

■ SI business ■ S&S business

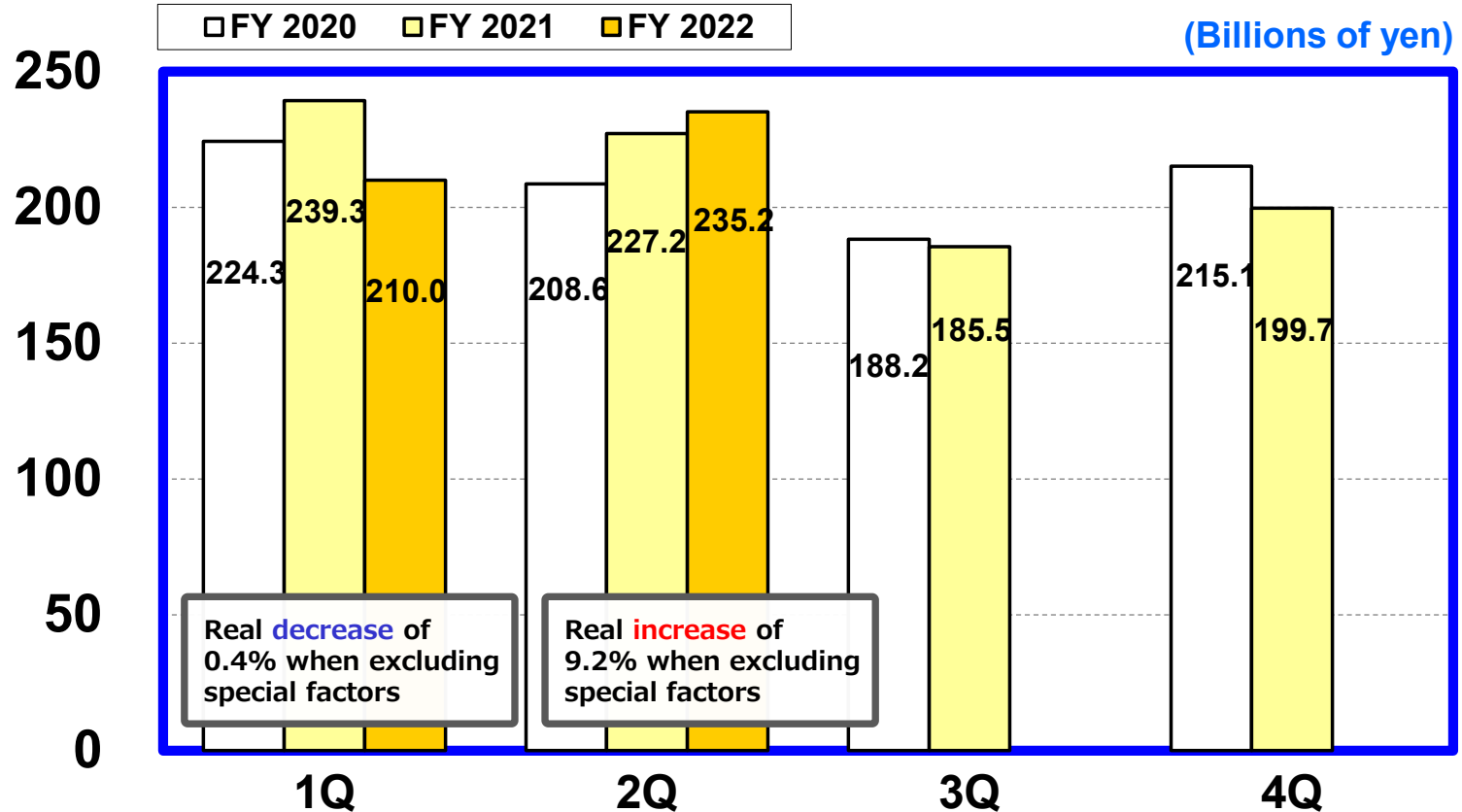
(Millions of yen)



# Net sales by 4 segments



# Quarterly change of Net sales



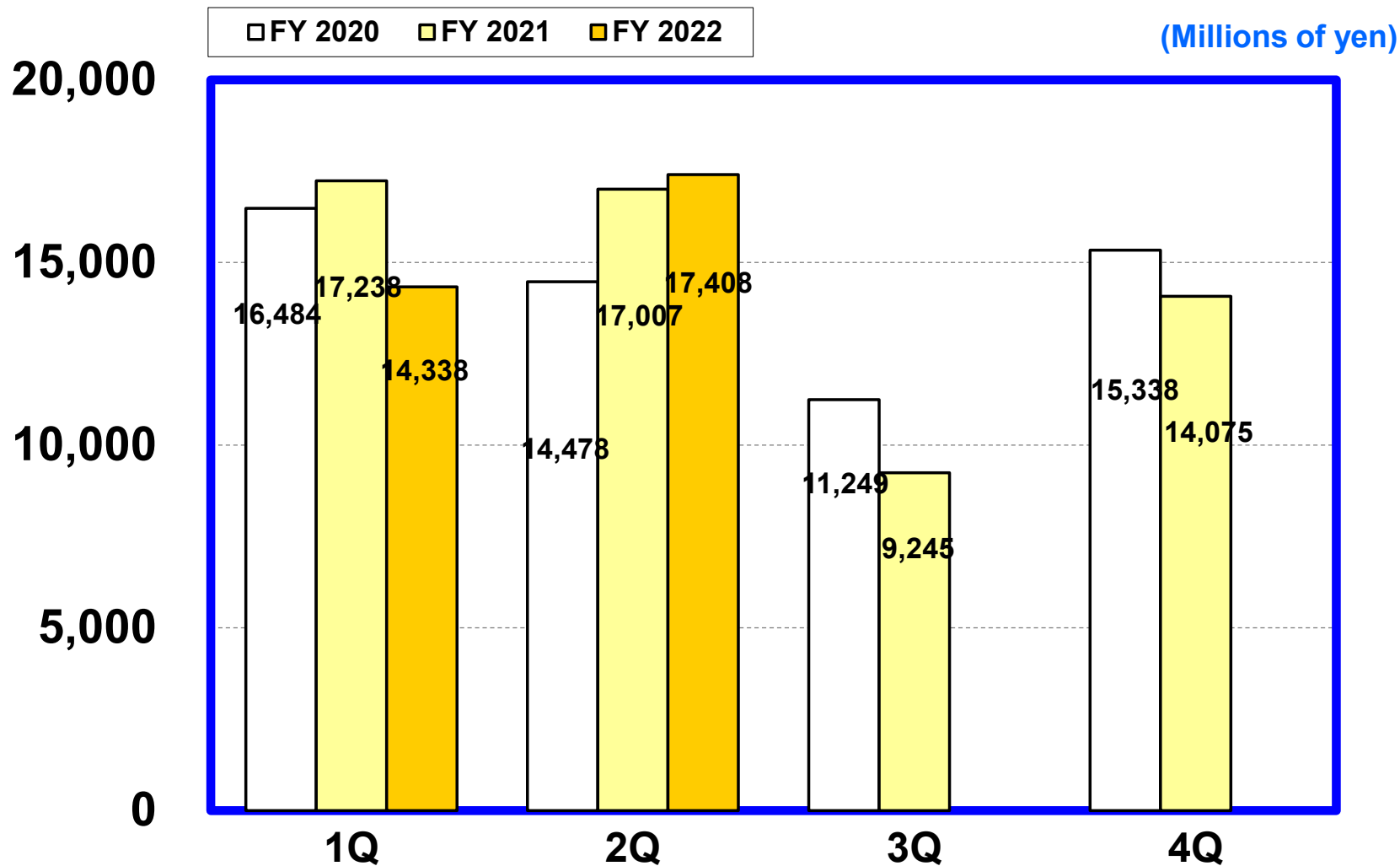
## Special factors included in 2021 sales

Revenue recognition	8.1billion yen	8.6billion yen
GIGA (School Program)-related results	20.1billion yen	3.1billion yen
<b>Total</b>	<b>28.3billion yen</b>	<b>11.7billion yen</b>



Consolidated

# Quarterly change of Ordinary profit



# Summary of Business Results, April – June, 2022

(Millions of yen)

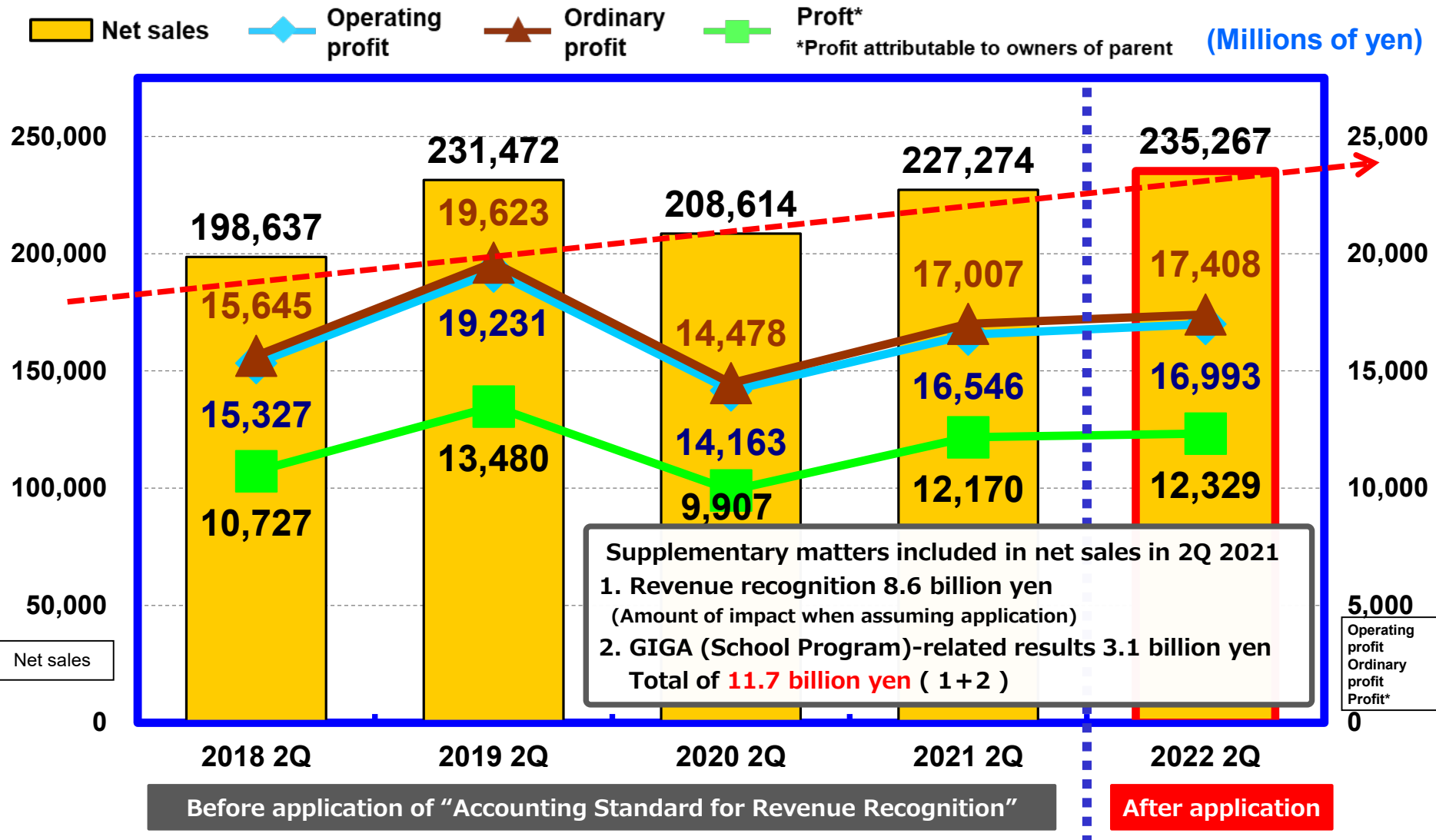
	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
<b>Net sales</b>	<b>235,267</b>	<b>+3.5%</b>	<b>215,441</b>	<b>+4.9%</b>
	<b>(Reference rate of change*1)</b>		<b>( +7.6% )</b>	
			<b>( +9.5% )</b>	
<b>Operating profit</b>	<b>16,993</b>	<b>+2.7%</b>	<b>15,707</b>	<b>+4.8%</b>
<b>Ordinary profit</b>	<b>17,408</b>	<b>+2.4%</b>	<b>15,950</b>	<b>+4.5%</b>
<b>Profit*2</b>	<b>12,329</b>	<b>+1.3%</b>	<b>11,383</b>	<b>+3.2%</b>

\*1: Year-on-year rate of change in net sales assuming that the “Accounting Standard for Revenue Recognition” was applied in 2021

\*2: Profit attributable to owners of parent

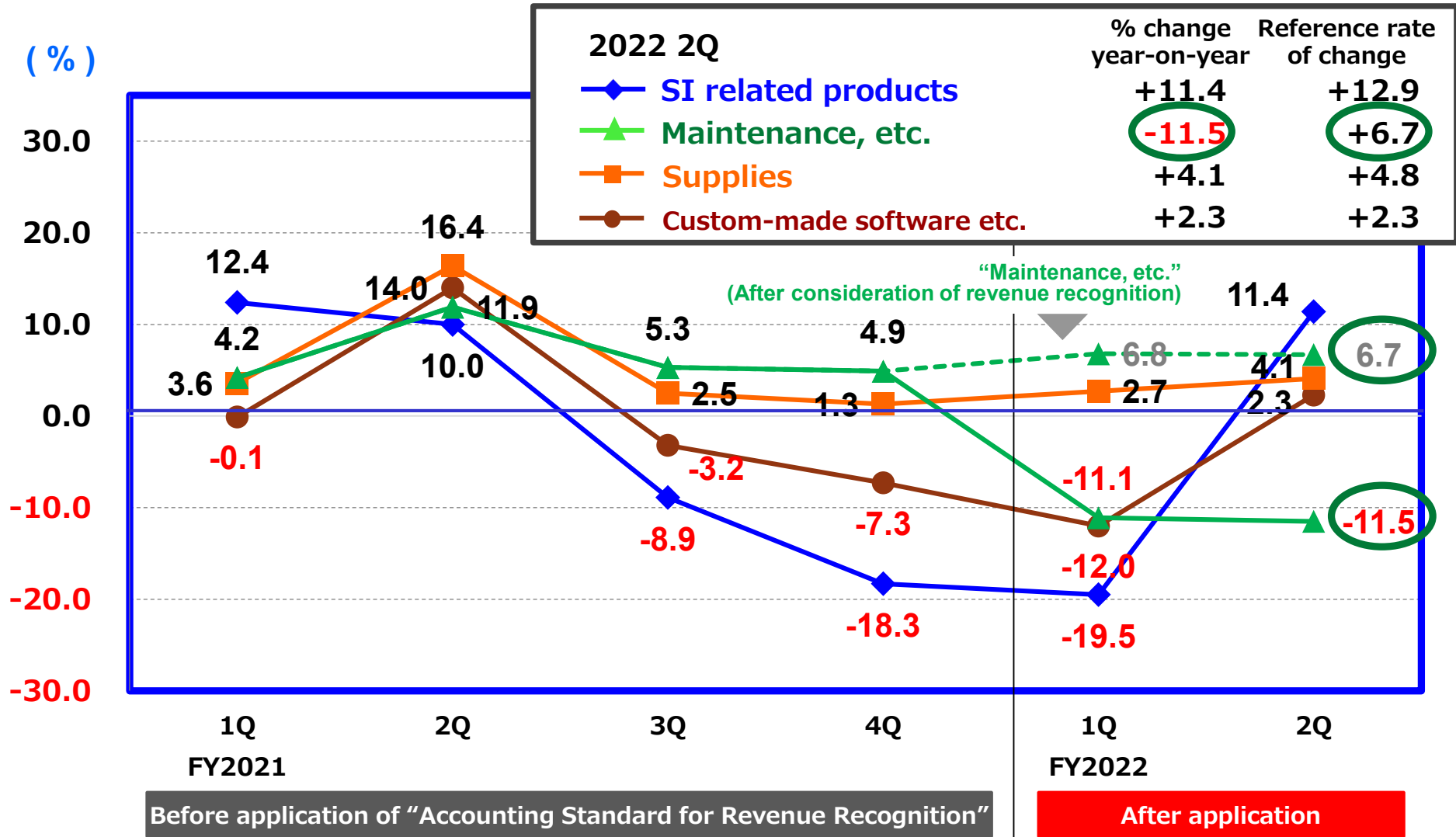
# Net sales and Profits, April – June

Consolidated

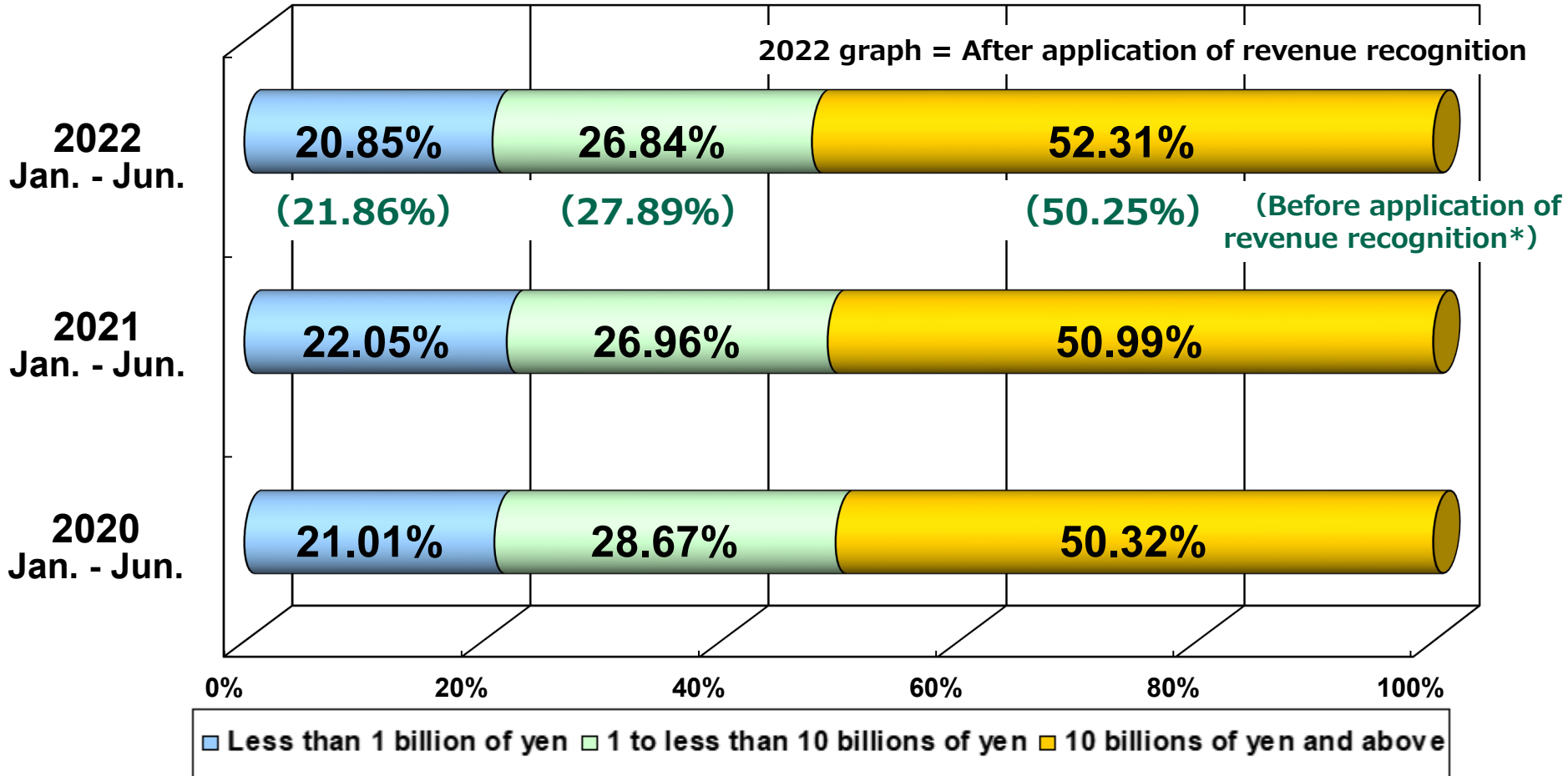


Non-Consolidated

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



# Net sales structure on customers' total annual business scale



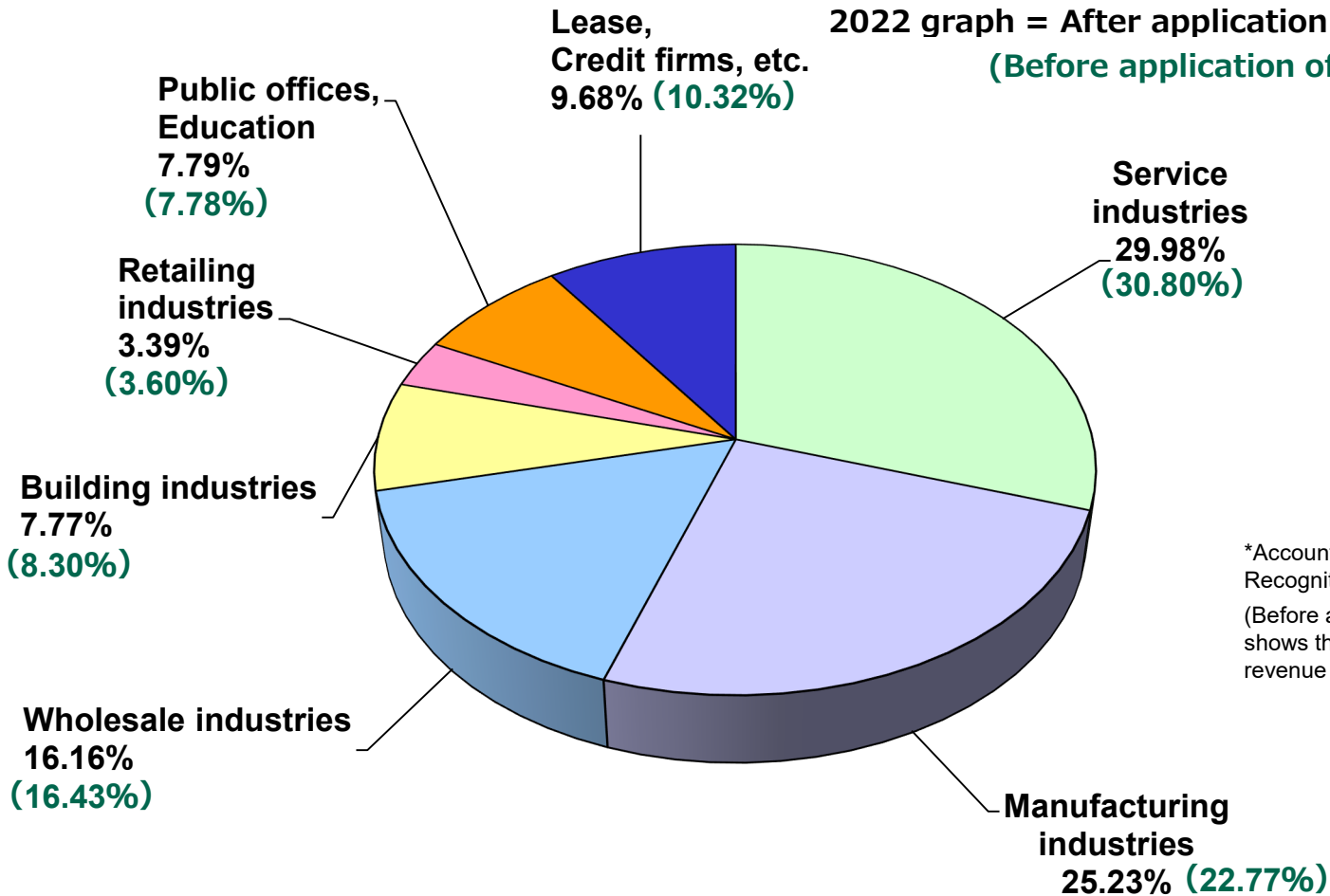
\*Accounting Standard for Revenue Recognition being applied from 2022.

(Before application of revenue recognition) listed for January~June 2022 shows the net sales structure assuming that revenue recognition was not applied in 2022.

# Sales breakdown by customers' type of industry

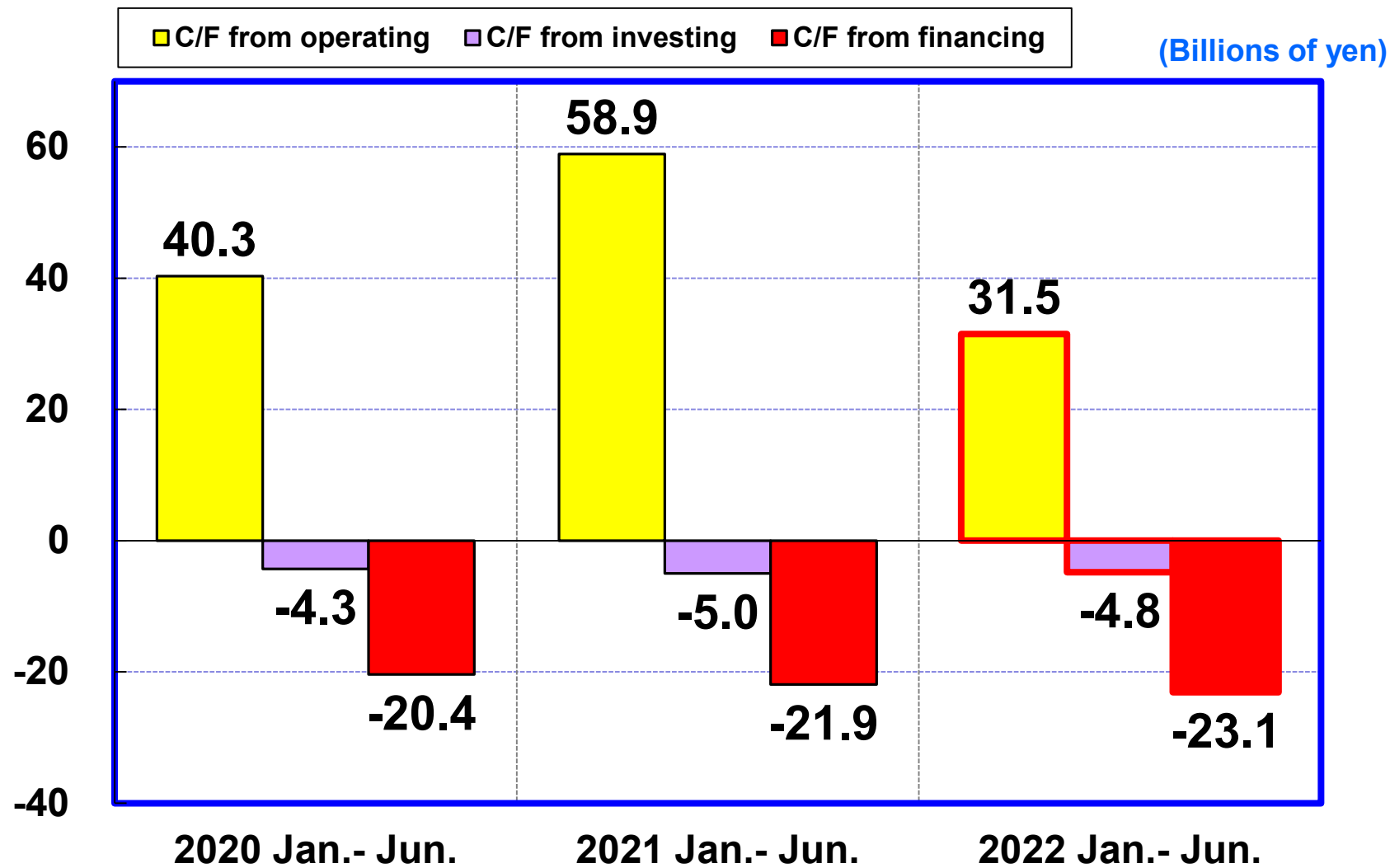
**2022 Jan. – Jun.**

2022 graph = After application of revenue recognition  
(Before application of revenue recognition\*)



\*Accounting Standard for Revenue Recognition is applied from 2022.  
(Before application of revenue recognition) shows the net sales structure assuming that revenue recognition was not applied in 2022.

# Cash flows

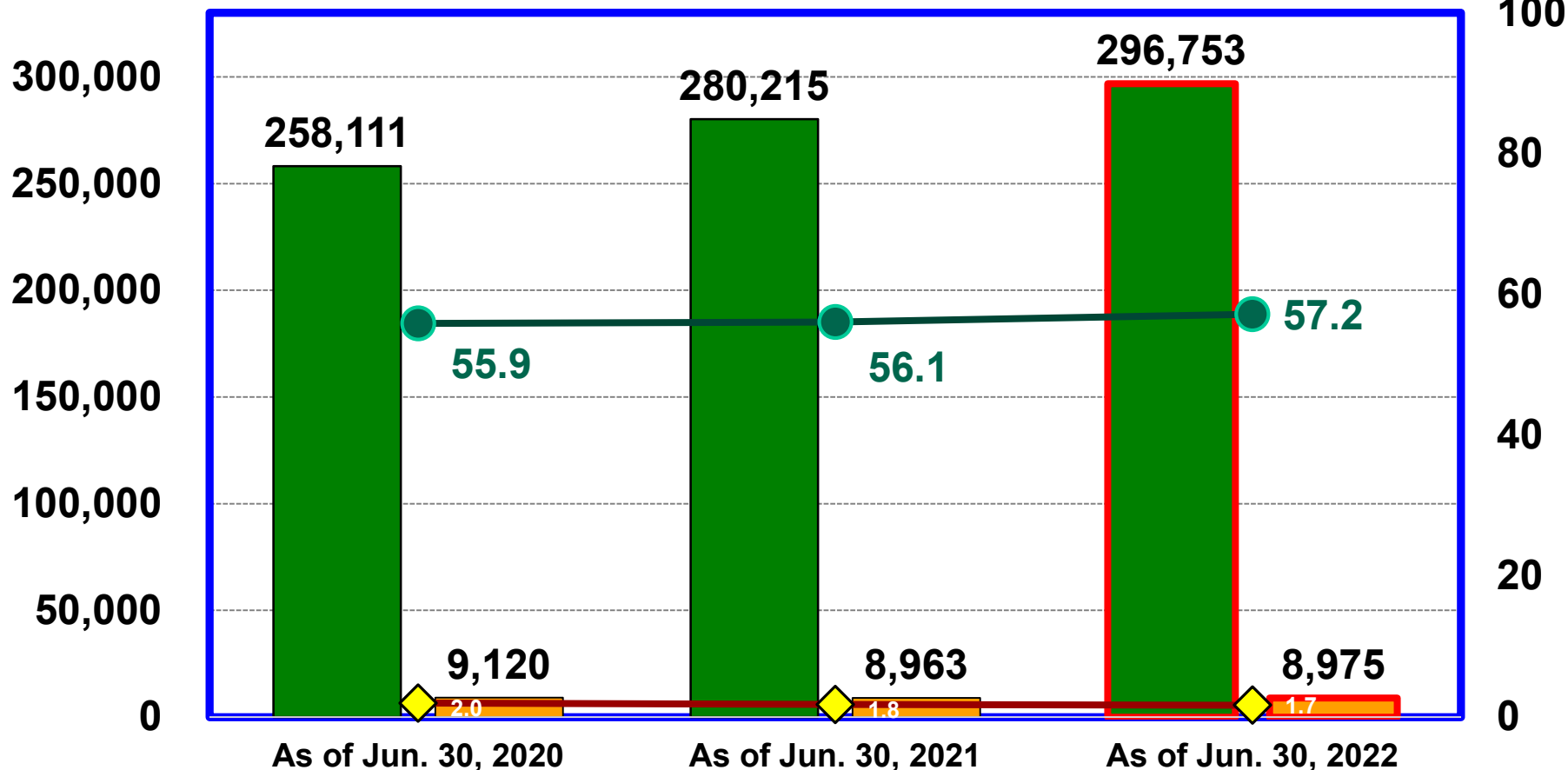
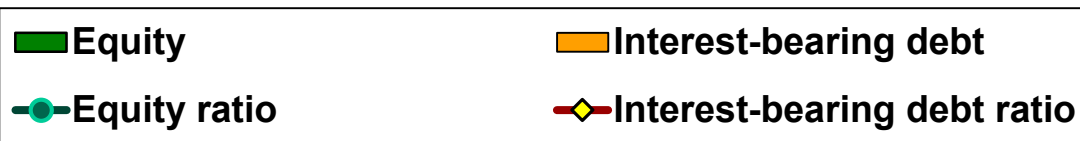


Consolidated

# Equity and Interest-bearing debt

(Millions of yen)

(%)

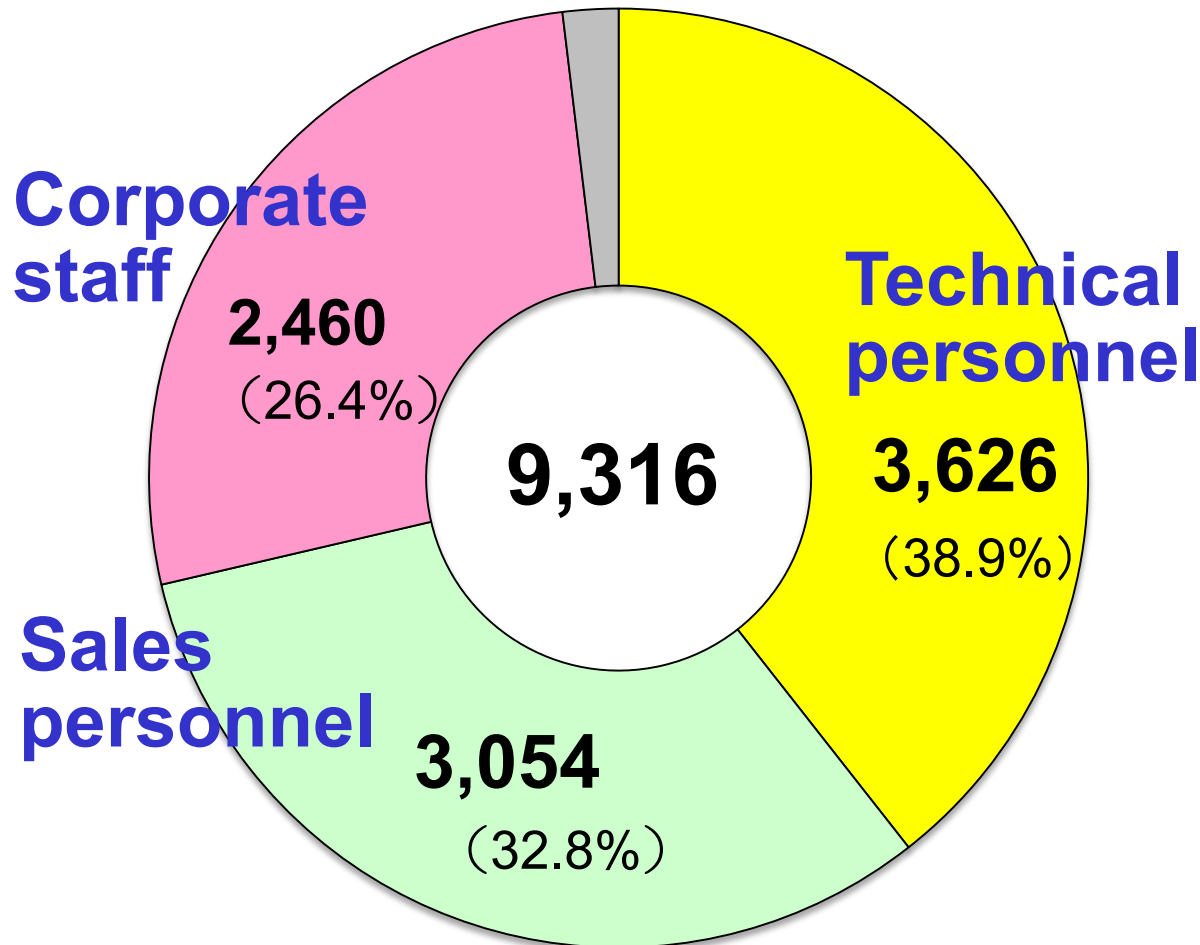




# Personnel organization (regular employees)

**Others 176 (1.9%)**

**As of Jun. 30, 2022**



# Key strategic business

<Amount of Sales>

(Millions of yen)

	2020 Jan. – Jun.	2021 Jan. – Jun.		2022 Jan. – Jun.				2022 Apr. – Jun.			
	Amount	Amount	Change to Last year	Amount	Difference to Last year	Change to Last year	Reference rate of change	Amount	Difference to Last year	Change to Last year	Reference rate of change
“tanomail”	79,617	88,191	+10.8%	91,245	+3,053	+3.5%	+4.1%	45,005	+1,942	+4.5%	+5.2%
SMILE	5,849	6,161	+5.3%	6,527	+365	+5.9%	+5.9%	4,012	+308	+8.3%	+8.3%
ODS	27,460	29,348	+6.9%	30,355	+1,007	+3.4%	+8.2%	17,353	+1,471	+9.3%	+13.1%
OSM	40,382	49,112	+21.6%	46,836	-2,275	-4.6%	-3.9%	24,579	-287	-1.2%	-0.0%

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

Reference rate of change : Year-on-year rate of change in net sales assuming that the “Accounting Standard for Revenue Recognition” was applied in 2021

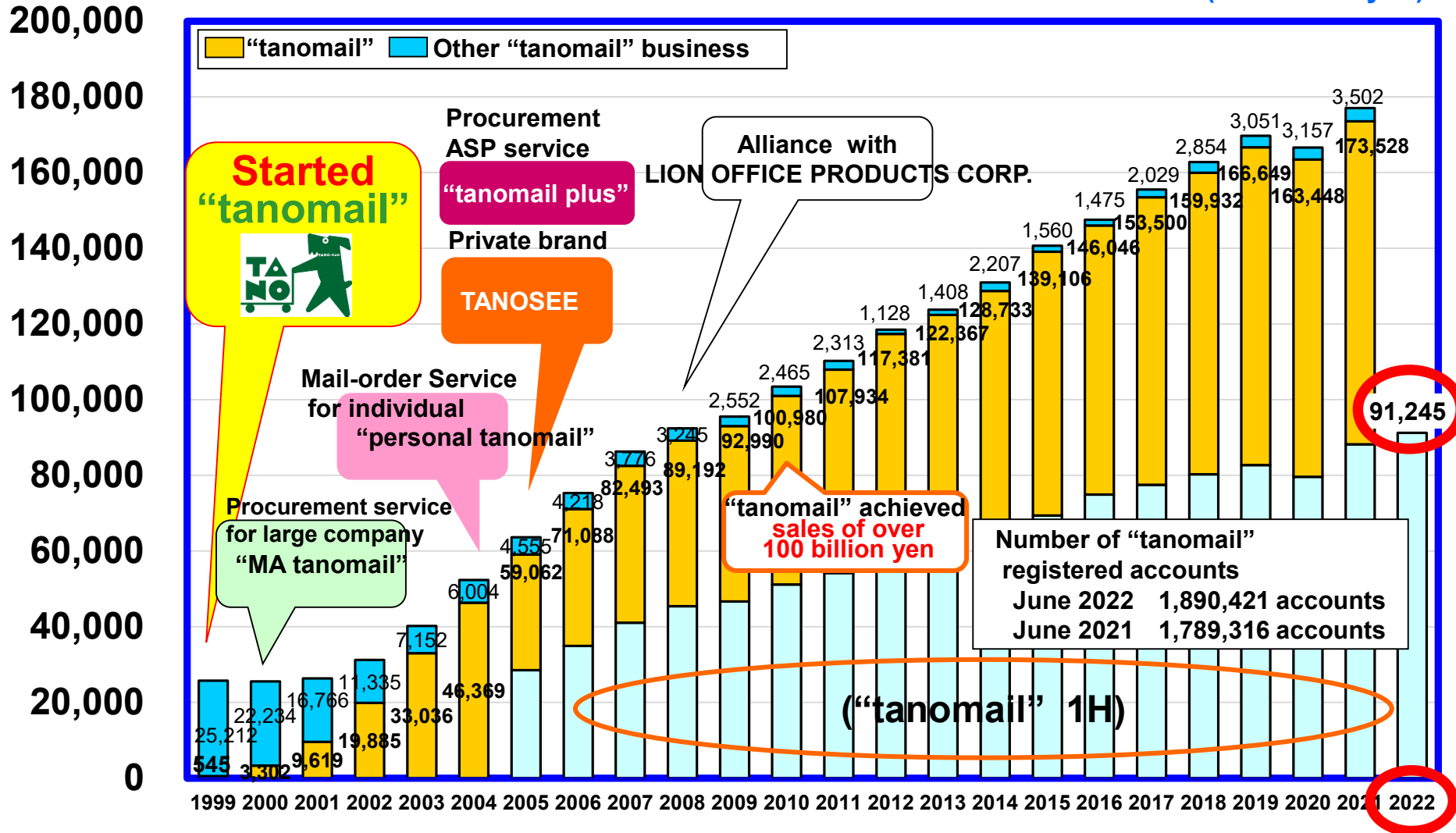
<As reference: Number of Sales>

(Units)

Copier	19,000	21,533	+13.3%	20,853	-680	-3.2%	—	11,688	-29	-0.2%	—
(of which Color copier)	18,475	21,078	+14.1%	20,466	-612	-2.9%	—	11,450	-56	-0.5%	—
Server	13,531	13,083	-3.3%	11,036	-2,047	-15.6%	—	5,660	-920	-14.0%	—
PC	644,871	907,975	+40.8%	579,984	-327,991	-36.1%	—	245,708	+29,811	+13.8%	—
Client Total	668,661	1,046,028	+56.4%	641,504	-404,524	-38.7%	—	284,377	+51,542	+22.1%	—

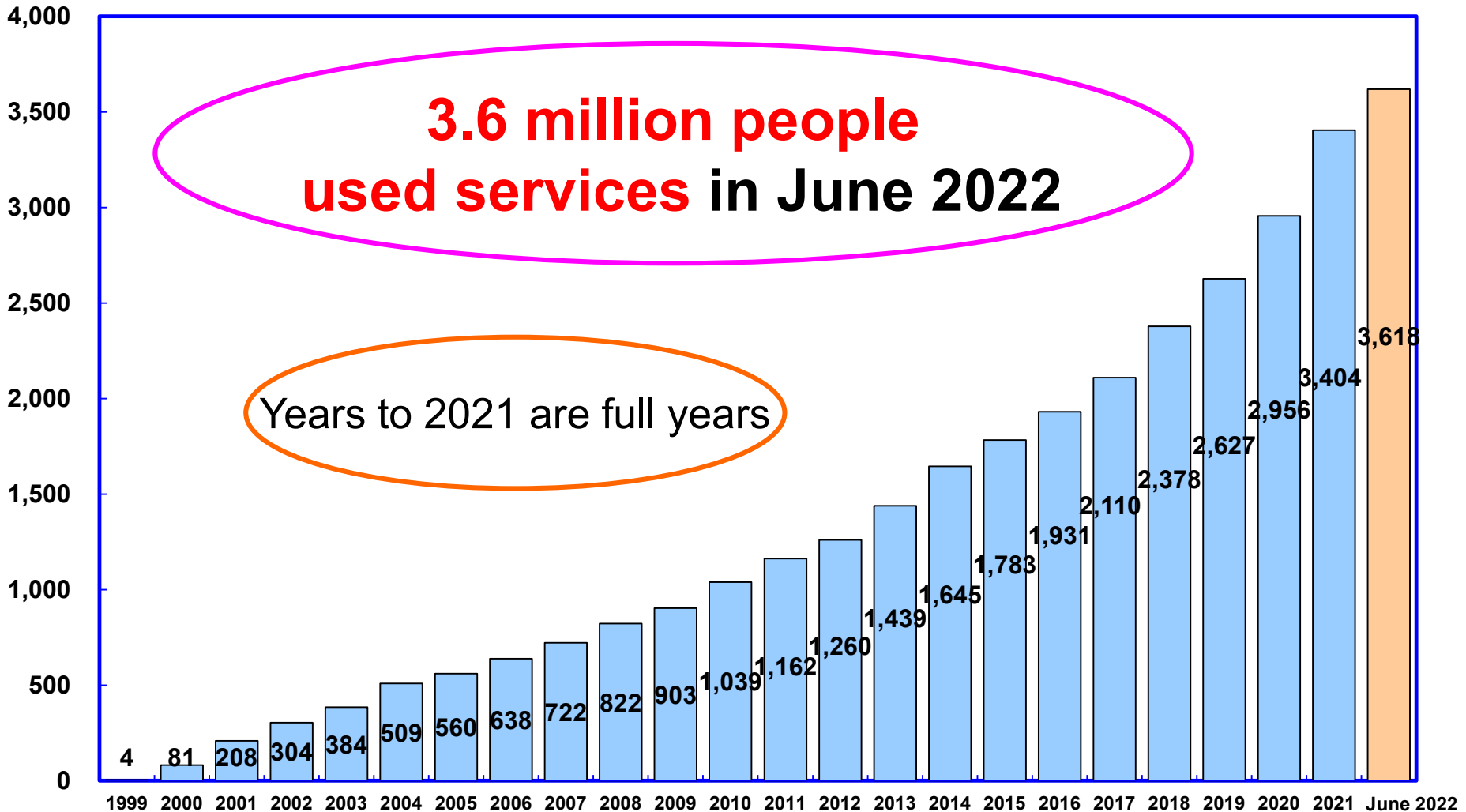
# Annual sales transition of "tanomail"

(Millions of yen)



# Number of Users of Main Web Services (ASP)

(Thousand people)



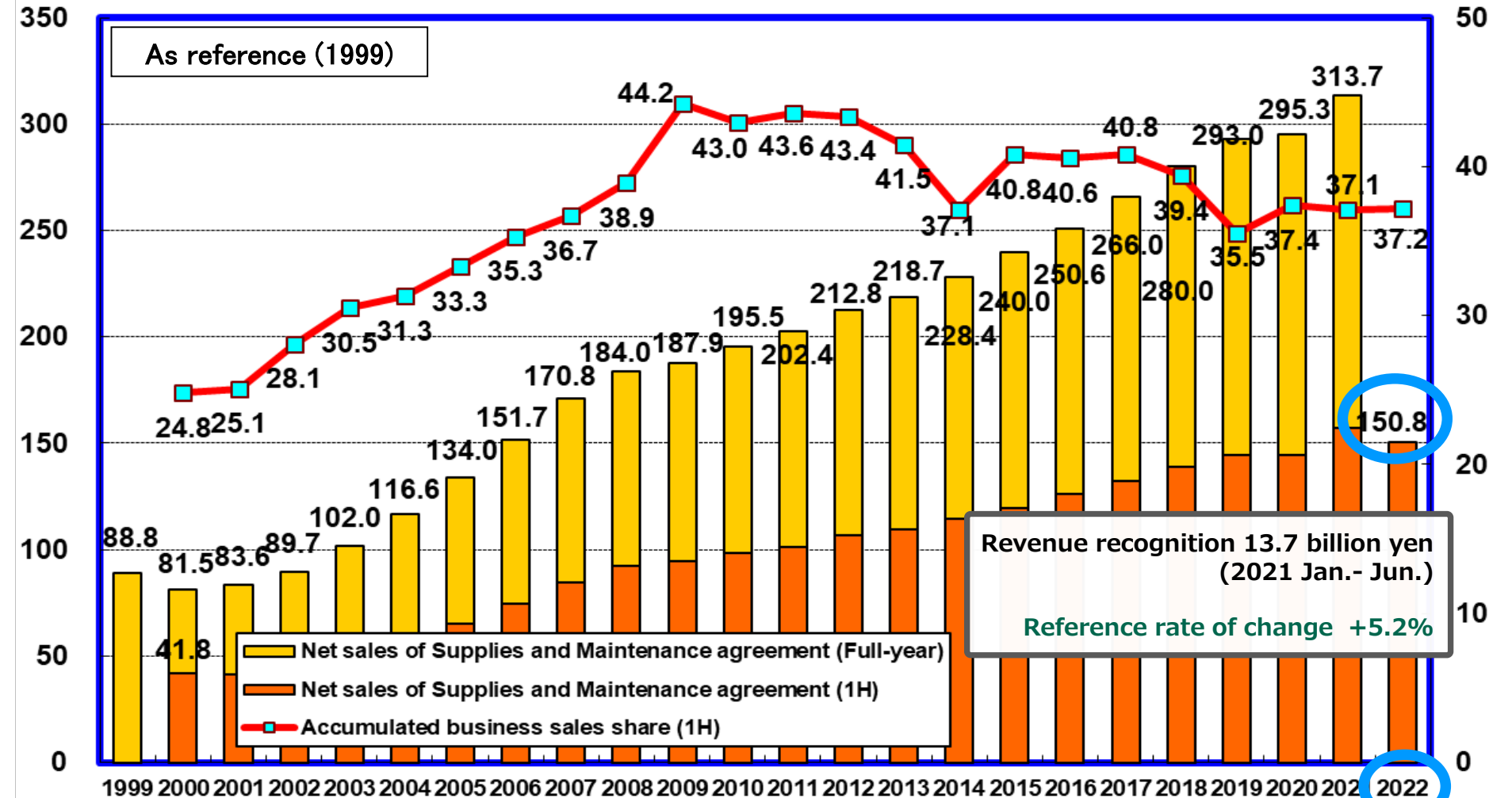
# Growth of accumulated business

## Net sales of Supplies and Maintenance agreement

### Accumulated business sales share

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

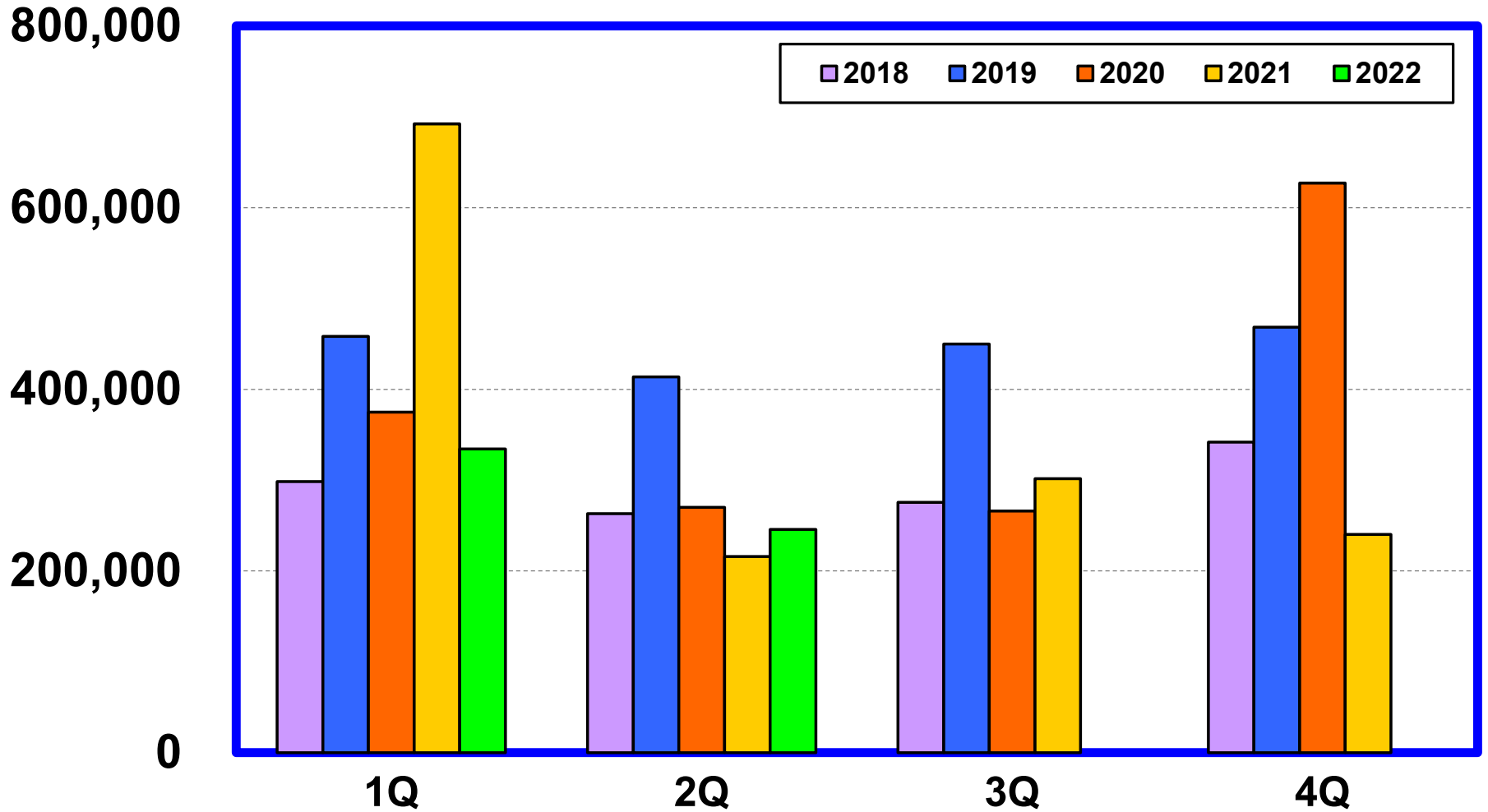
Accumulated business sales share (%)



\*Accounting Standard for Revenue Recognition being applied from 2022.

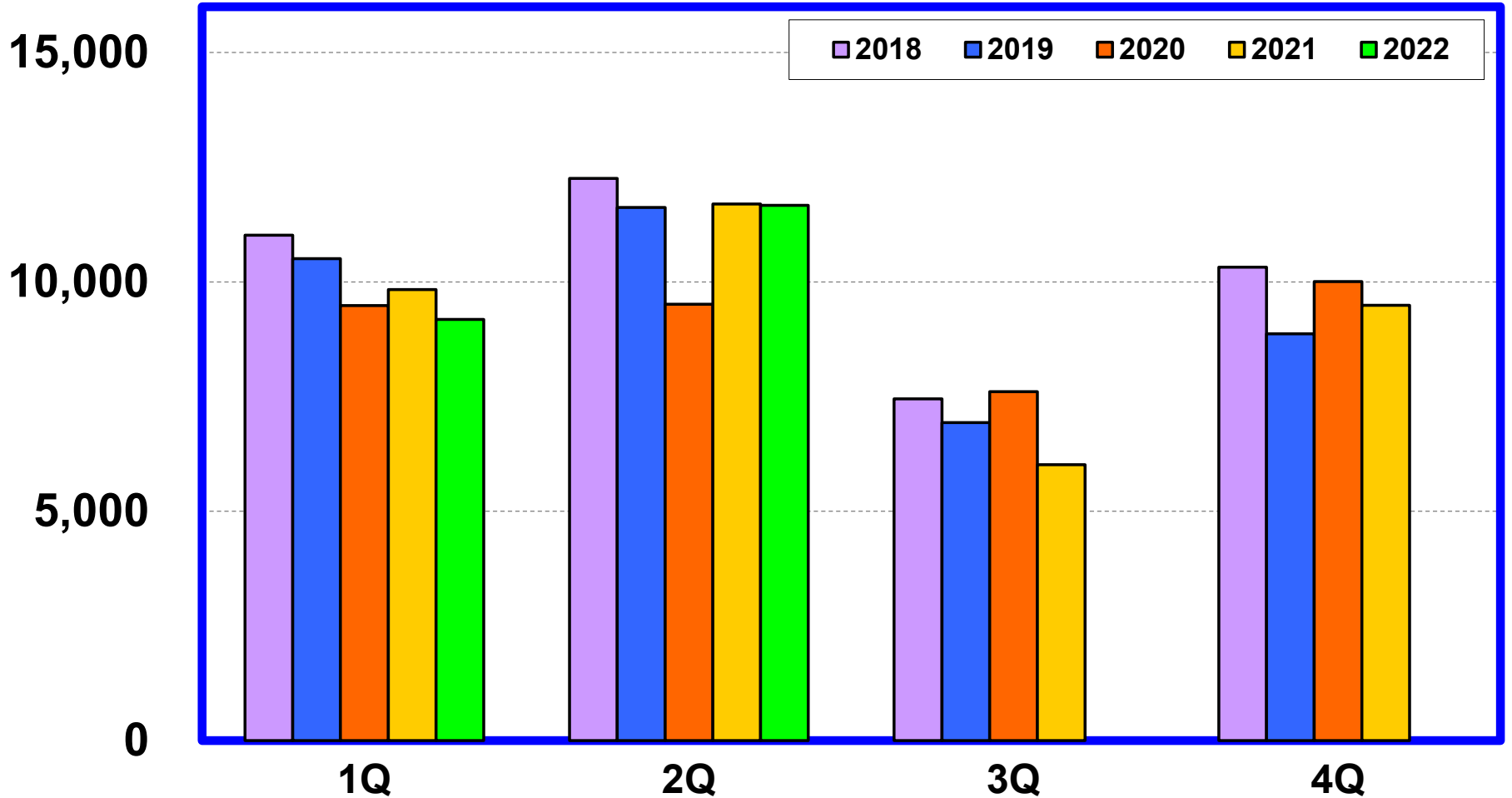
# Quarterly Number of PCs Sold

(Units)



# Quarterly Number of Copiers Sold

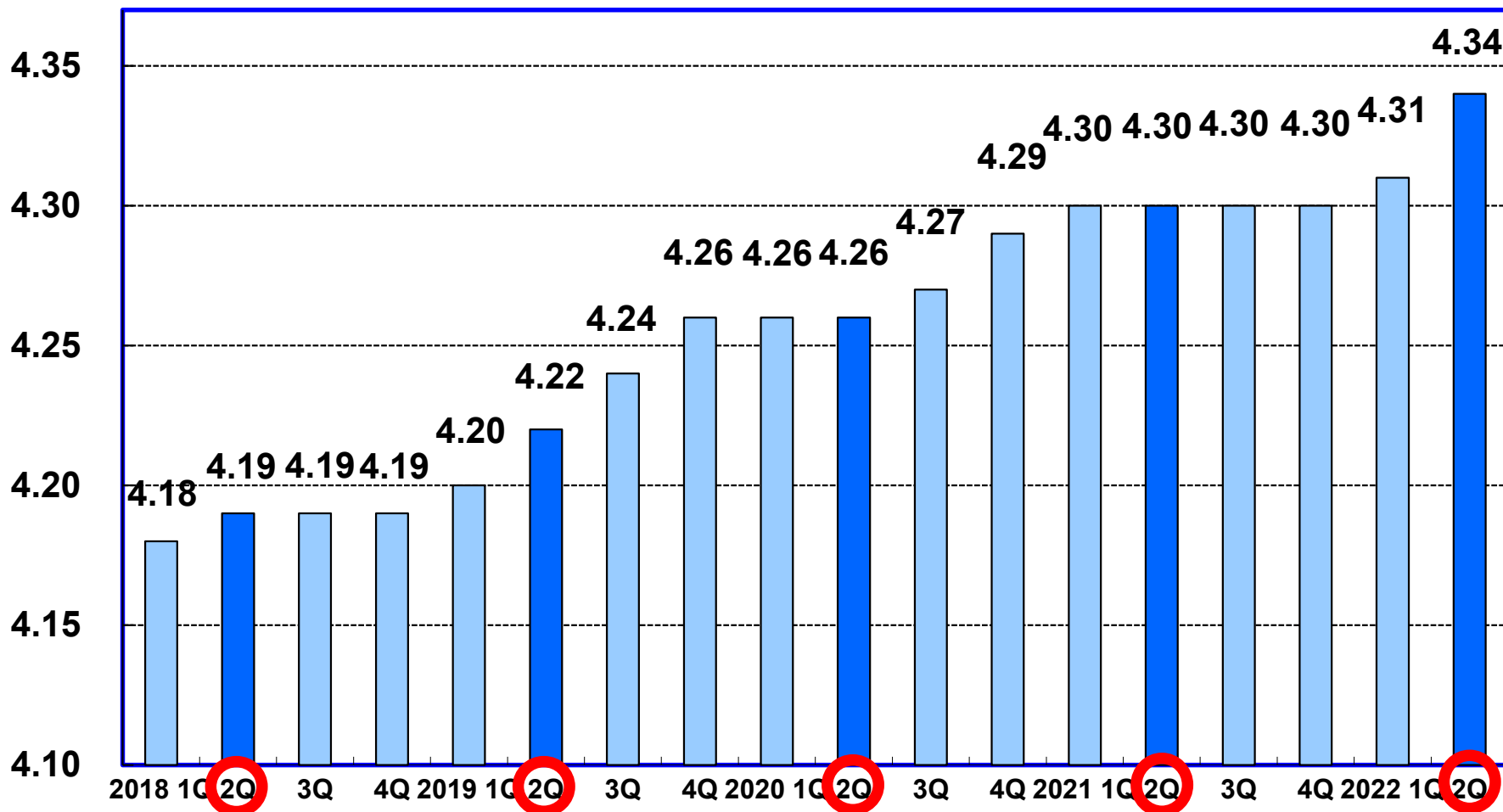
(Units)



# Trends in the number of products per one company

(Products)

(Copier customers)





# Looking to the Future

# 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 and OTSUKA's policy in the Second Half of 2022

## Market environment

- Growing sense of uncertainty due to such factors as the Ukrainian war, the depreciation of the yen, high prices, and the resurgence of Covid-19 infections
- Supply constraints for some products are continuing
- Firm demand for corporate IT investments aimed at strengthening competitiveness

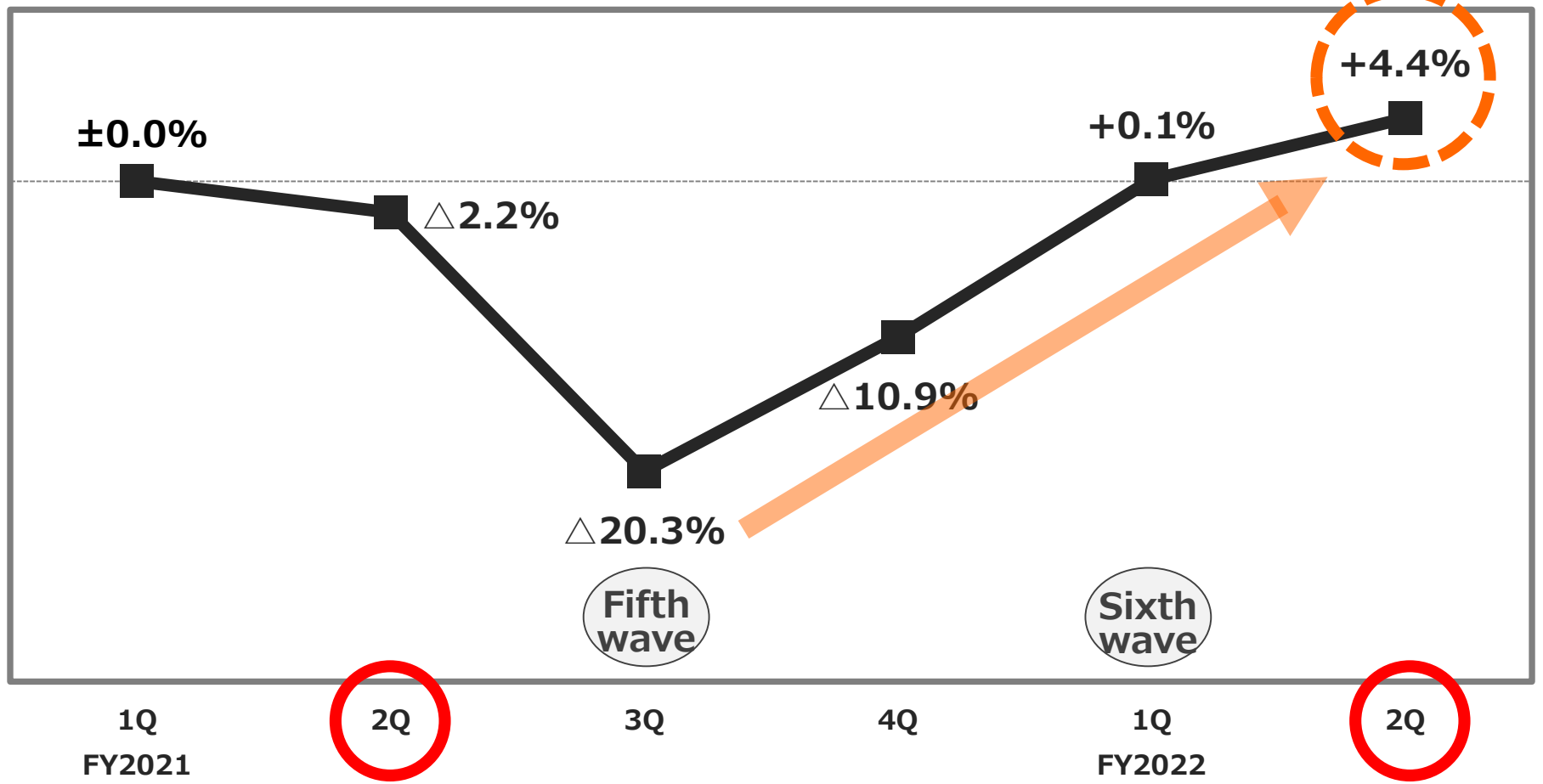
## OTSUKA's Policy

**Get close to our customers and grow together through DX and all our products.**

- We respond to customers' problems by proposing OTSUKA's unique solutions that utilize our extensive range of products.
- Continuation of Otsuka Strategy II initiatives.
- Further strengthen the "motivation" of employees.
- Contribute to responses to ESG issues and to achieving SDGs.

# Number of New Corporate Customers

Year-on-Year Rate of Change for  
【Number of New Corporate Customers】

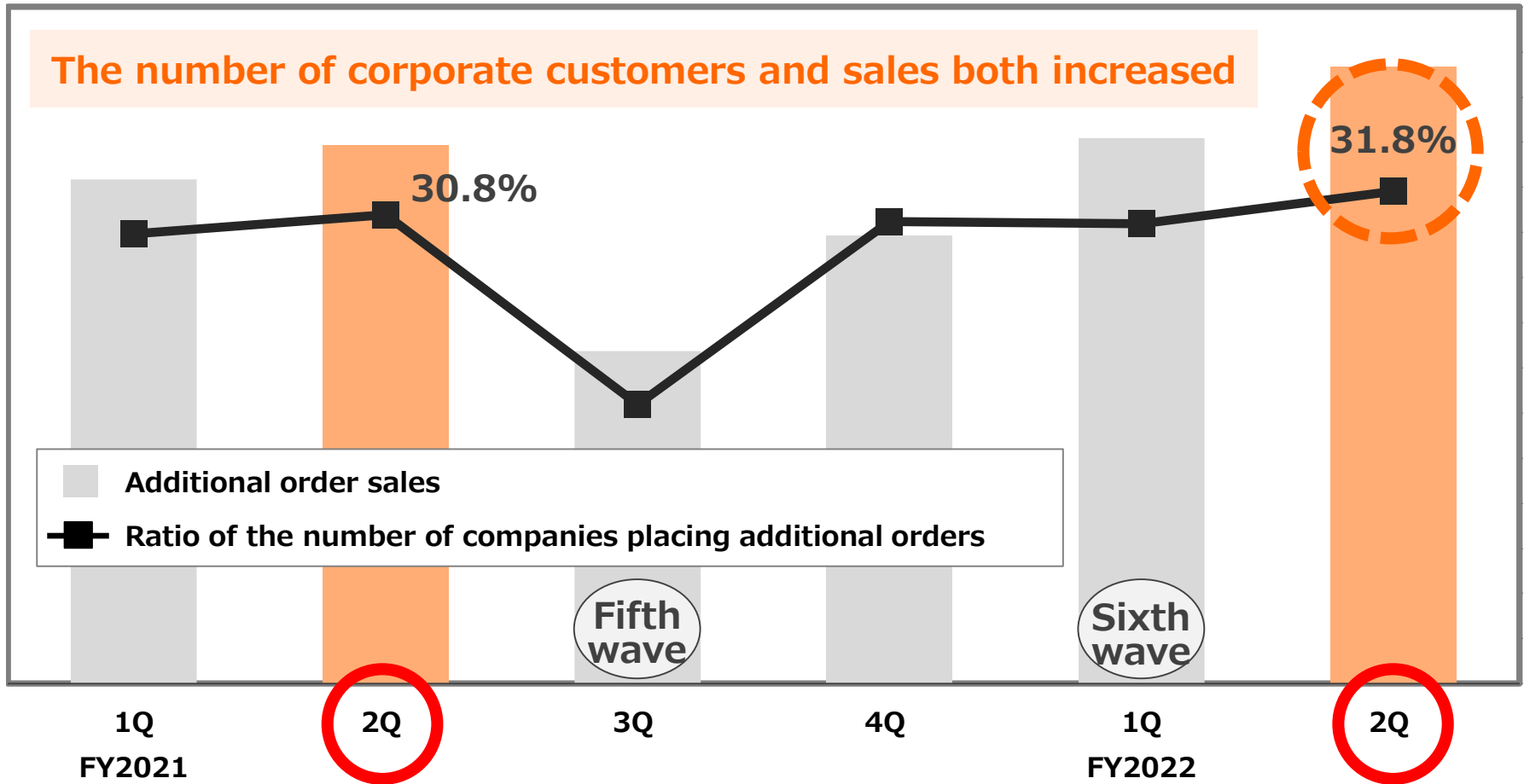


# State of Additional Orders

## 【State of Additional Orders】

Transaction value and number of corporate customers in the current quarter as a percentage of customers who conducted transactions with Otsuka in the previous quarter.

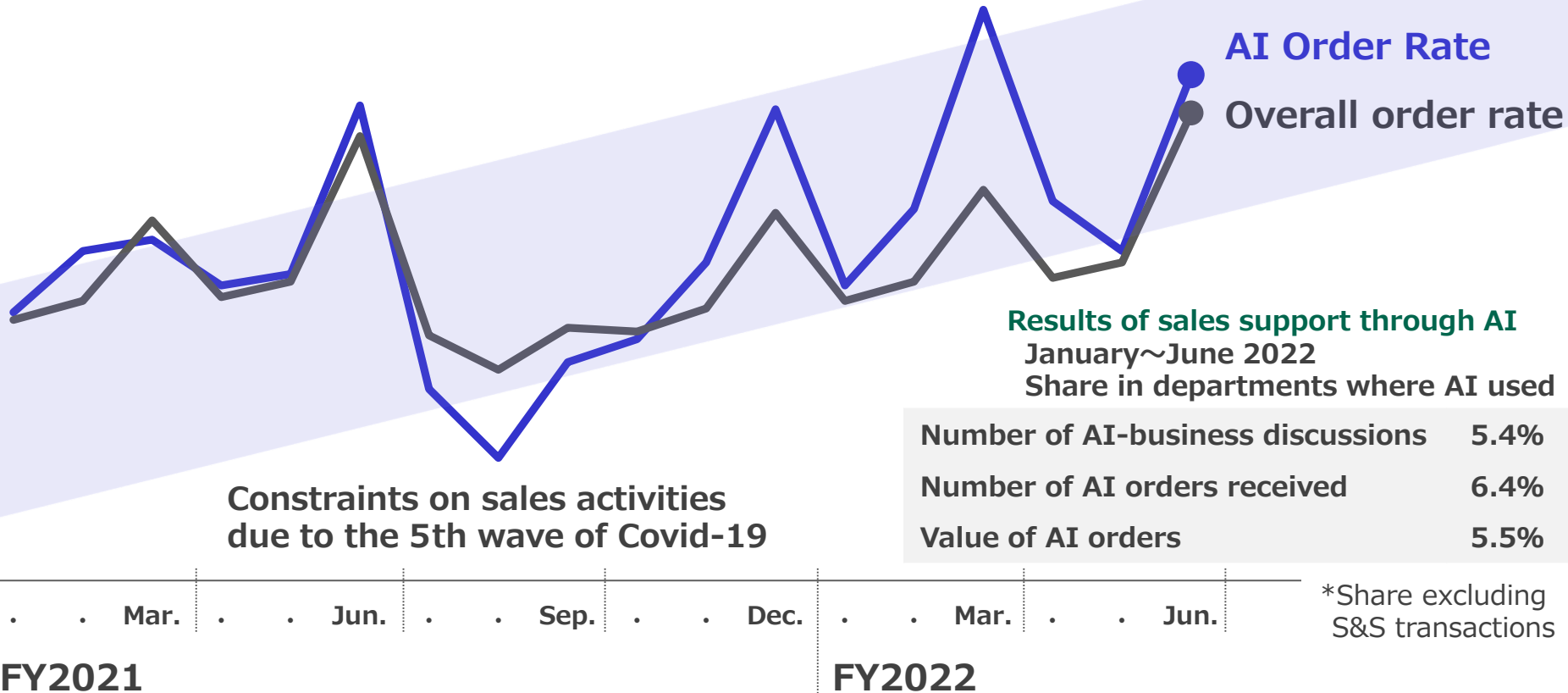
\* Calculated excluding continuing transactions such as supply and maintenance transactions



# AI Order Rate

The AI order rate has exceeded the overall order rate except for during the 5th wave of Covid-19.

Both order rates are gradually trending upward.



# DX Infrastructure Platform for Small and Medium-sized Enterprises

~ dot Data ~

April 2022  
Capital and business alliances 2.67 billion yen invested

## Utilization at Otsuka

Strengthen sales capabilities

Productivity improvement

Otsuka Big Data

Analysis

Predict

Suggestion

etc.

(Cultivation of in-house AI human resources)

E qualifications: 30 persons

G examination : 527 persons

\* Otsuka Corporation consolidated group results as of June 30, 2022

Provision of know-how and support

Features

## Response to customers

(To the present AI utilization has centered on large companies...)

Propose as easy-to-use solutions for small and medium-sized enterprises

Affordable price

Start quickly

Improve convenience

\*Services starting from 50,000 yen per month also available

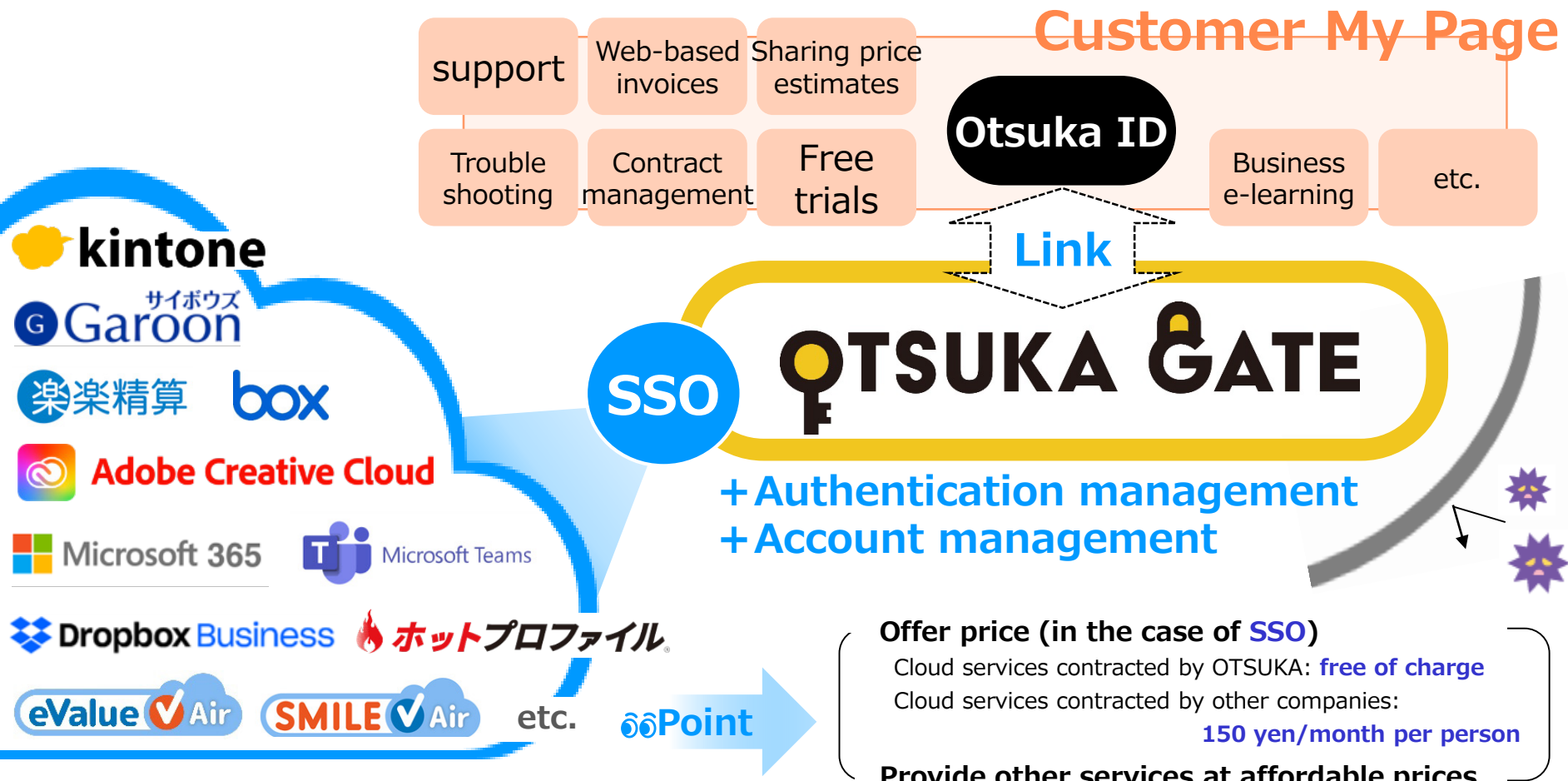
\* Collaboration (link with DX integrated package)

Contribute to solving management issues

# OTSUKA GATE

(released in June 2022)

Secure SSO. Raise convenience by linking with My Page





# Further Strengthen Job Satisfaction

## Management reforms

- Shift away from proposals for individual items and prices that start with “things” to a problem-solving style that starts with “services”
- Strengthen education for management positions

## Review evaluation systems

- Correct product evaluation systems that differ by department
- Introduce new evaluation system to encourage the solving of customer issues

## Improve the working environment

- Diversification of values. Realize both well-being and improvements in engagement
- Utilize AI for organizational vitalization (Happiness Planet)

## Improve labor's share of profits

- January 2022~ Raise sales incentives
- April 2022~ Partial revision of salary system
- July 2022~ Raise the base salary of all employees
- Make continuous improvements in the future

# OTSUKA CORPORATION for the Entire Office

Office equipment

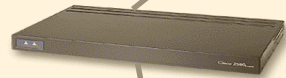
FAX



COPIER



LINE



GATEWAY

internet  
(ASP / Web Services)

Supplies



MRO

Electric power



LED

BEMS

VC



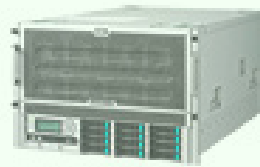
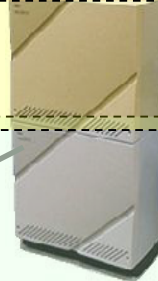
Communication lines and Internet related products



KT

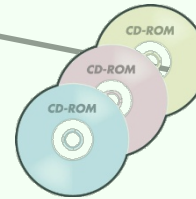
Voice communication system

PBX



SERVER

Computer system



SOFTWARE



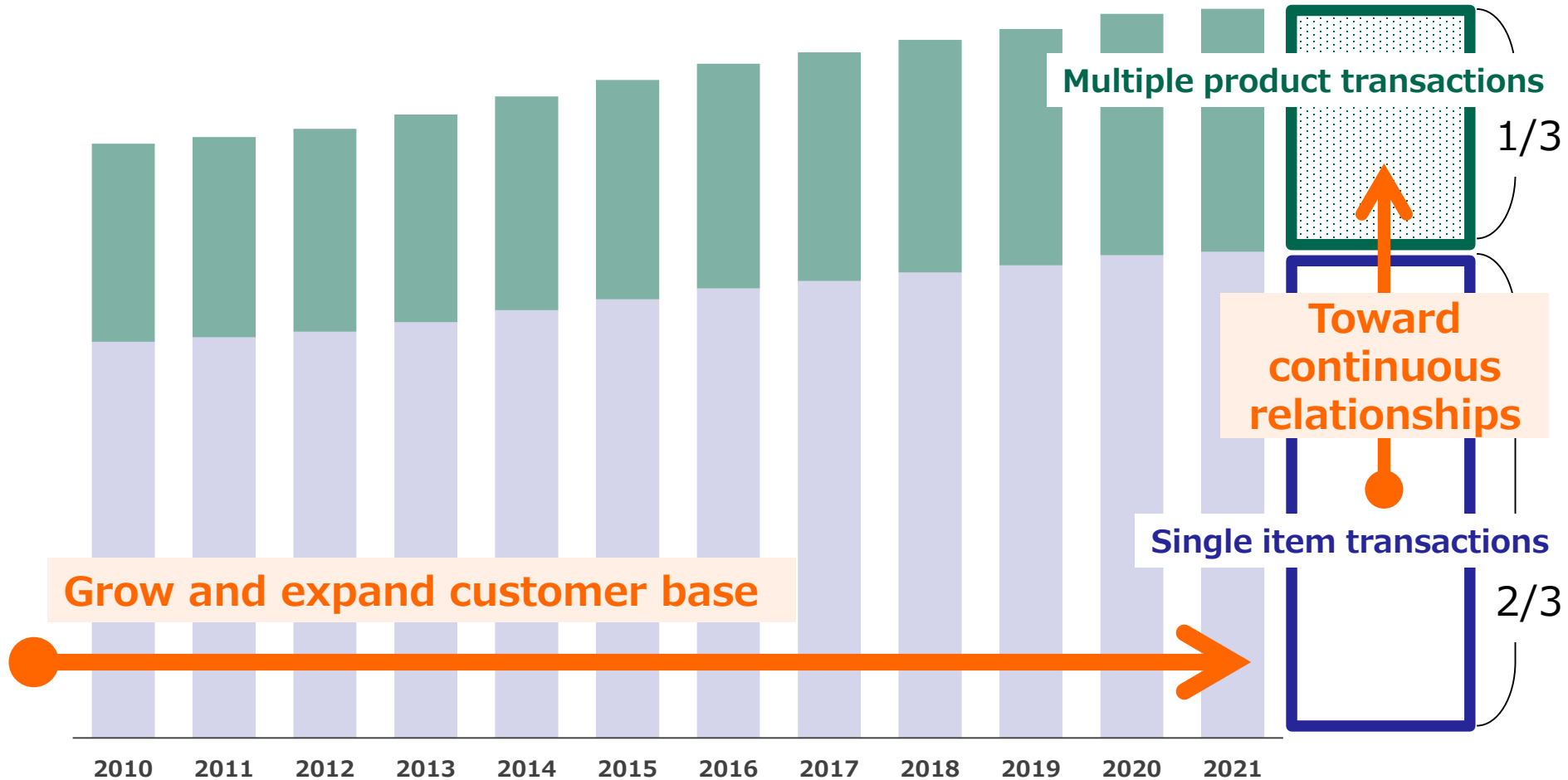
PC

TABLET

# Number of Corporate Customers and Sales Structure

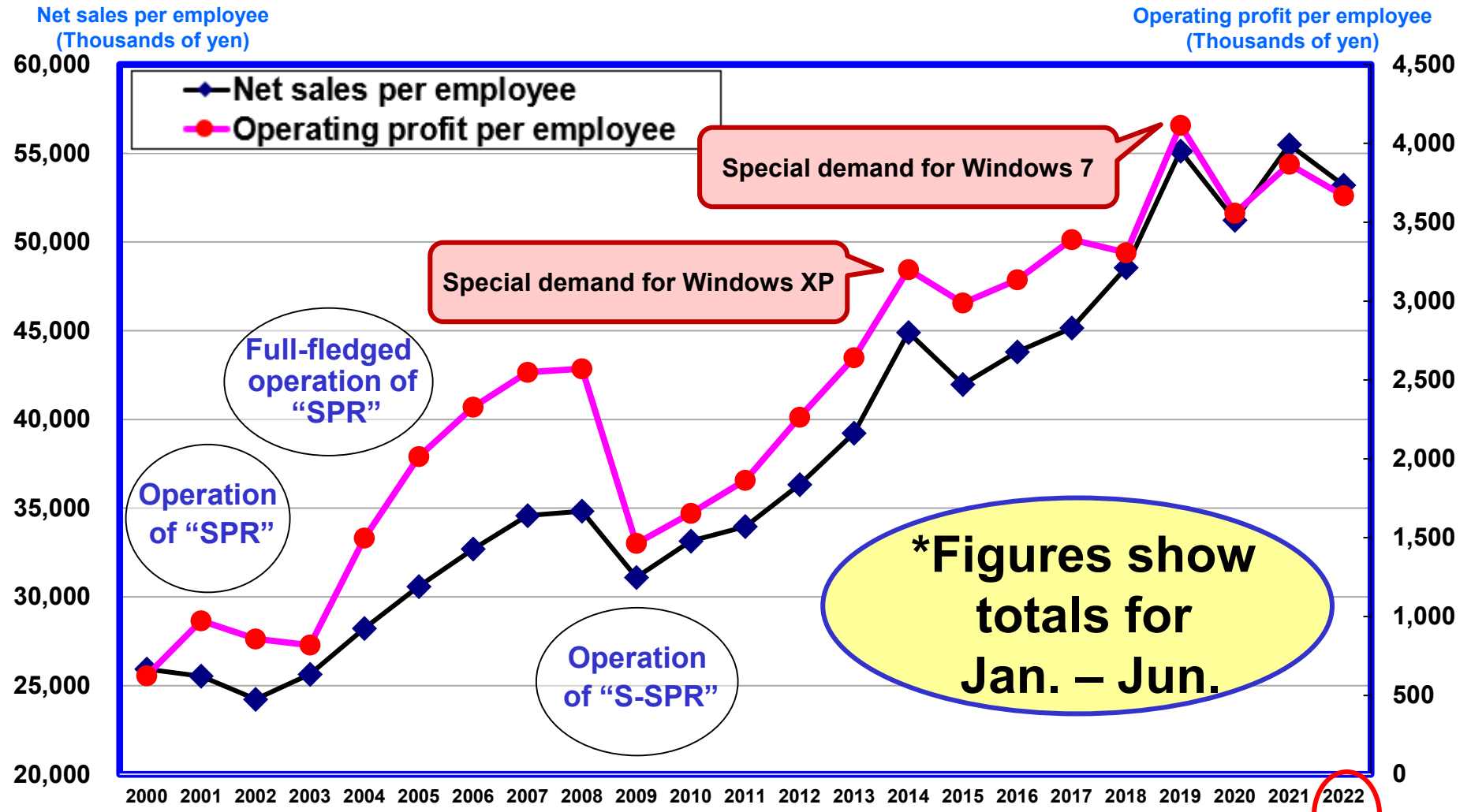
【Trends in the number of corporate customers and the sales structure】

287,000  
corporate customers in 2021



Non-Consolidated

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



Number of employees at the end of June

# Sustainability Related

Published the Integrated Report in June. The main contents and future plans are as follows.

**E**

(Environment)

## ■ Respond to climate change

Implemented in July 2022:

Switched to **renewable energy** for power at the head office building

Target for December:

Reduce greenhouse gas emissions **by 30% compared with 2013**

(Long-term target: Reduce emissions by 46% by 2030)

**S**

(Social)

## ■ Co-existence and co-prosperity with partners

Scheduled for August: Publication of **Sustainable Procurement Guidelines**

Scheduled for November: **Commence communication** with major suppliers

**G**

(Governance)

## ■ Strengthen governance

~Implemented in June 2022:

**FY2021 Board of Directors Effectiveness Evaluation**

Convened two meetings of the **Nomination and Compensation Committee**

**Investor**

## ■ Strengthen continuous implementation of shareholder returns

Meeting the challenge of **increasing dividends for 13 consecutive years**. Work to ensure **further increases in dividends**.

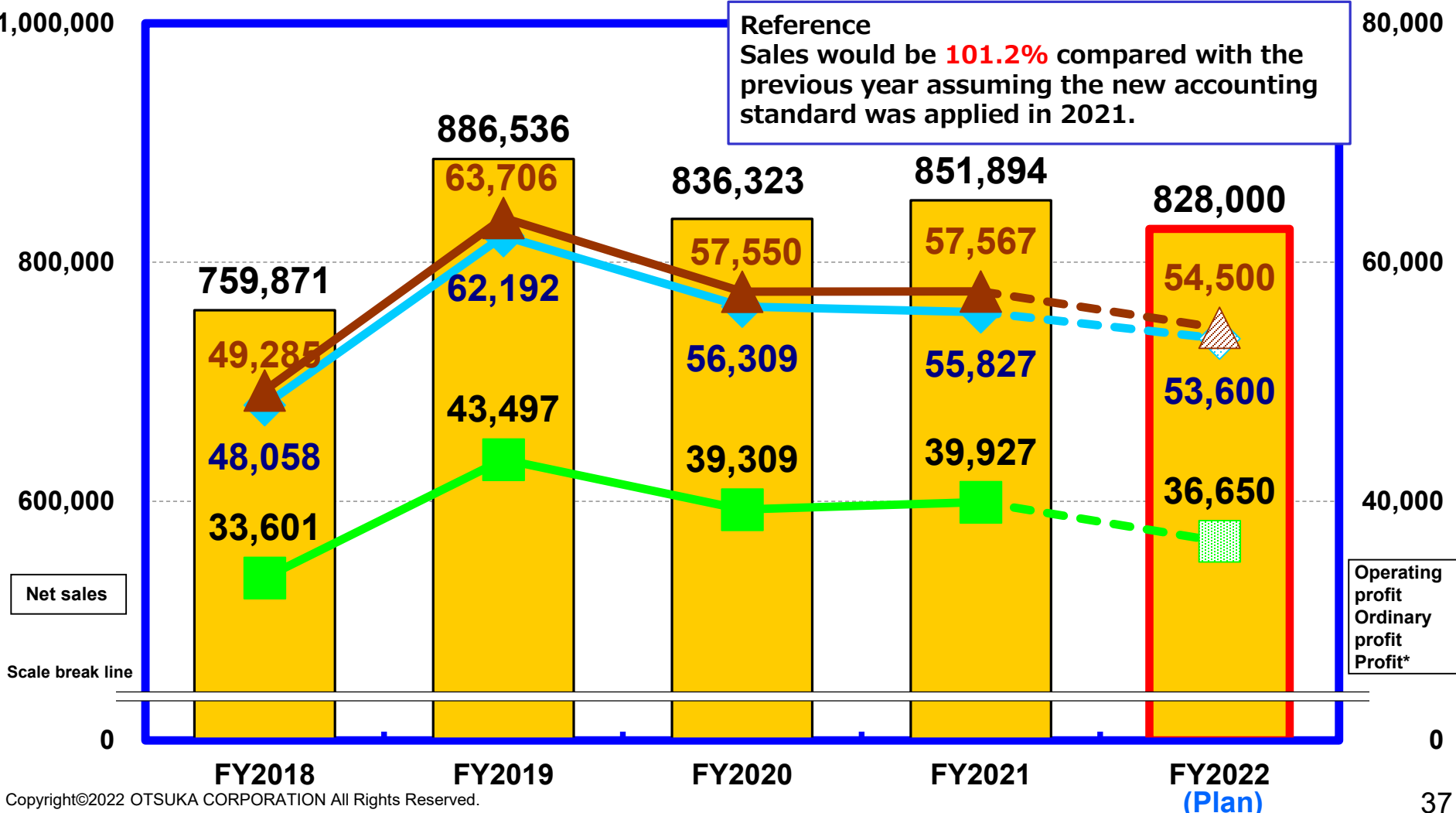
Consolidated

# Plans of Net sales and profit

(Millions of yen)

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

Reference  
 Sales would be **101.2%** compared with the previous year assuming the new accounting standard was applied in 2021.



**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 the 2nd quarter of fiscal year 2022 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.
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