

OTSUKA CORPORATION Group
Medium- to Long-term
Management Policy

July 24 , 2023

Management Philosophy

Grow with customers by realizing the Mission Statement

Mission

OTSUKA CORPORATION serves a wide range of companies, providing comprehensive support for their business activities by presenting, within a concrete framework, new business opportunities and management improvement strategies brought about by innovations in information and telecommunication technology. By so doing, we continue to facilitate the growth of our client companies and contribute to the development of our country and the creation of a spiritually enriching society.

Goals

To become a corporate group that is recognized and trusted as a valuable corporate citizen.

To encourage employee growth and self-realization through the attainment of personal goals and professional achievement.

To demonstrate harmonious coexistence and growth with nature and society.

To create business models that consistently keep pace with the changing times.



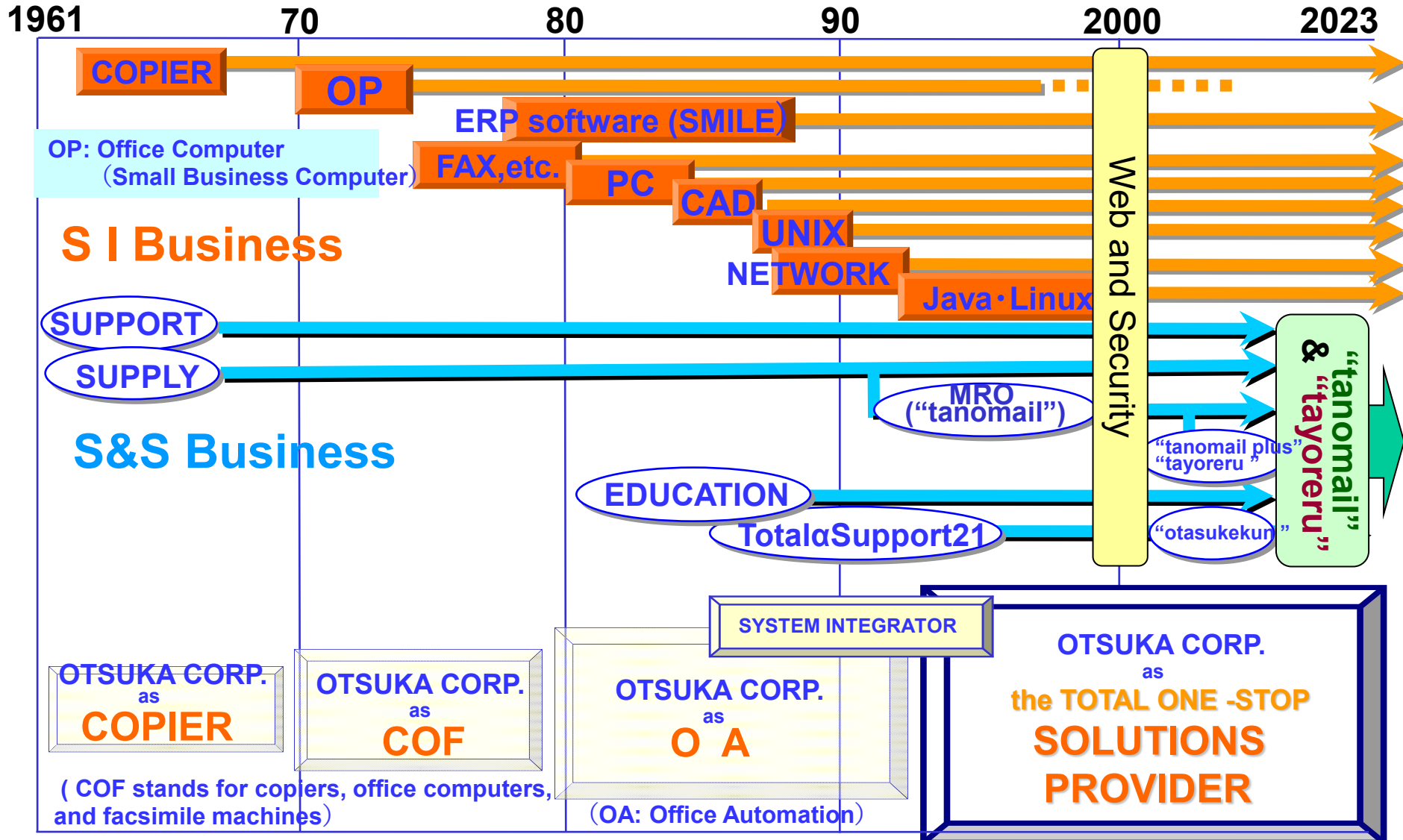
Principles

Always thinking from the customer's perspective and acting through harmonious team work.

Maintaining the spirit of challenge inherited from our predecessors, exercising our own critical judgment, and acting on our own initiative.

Fully complying with all prevailing laws and regulations, and maintaining high ethical standards.

Our history



Management History

History of OTSUKA CORPORATION, continuing to evolve, while dedicating itself to the **"Pursuit of Customer Satisfaction"** since its founding

From 2020 Toward a new stage of growth

From 2010 Productivity improvement

From 2000 Achievement of a scientific sales style

From 1990 Restructuring of management base

From 1980 Expansion of business scale

From 1970 Expansion of business domains

From 1961 Establishment

DX3
Otsuka Strategy II

Forging new relationships with customers

DX2
SPR

Full-scale operation in 2003

DX1
Otsuka Strategy

Full-scale operation in 1998

Human capital

Social capital

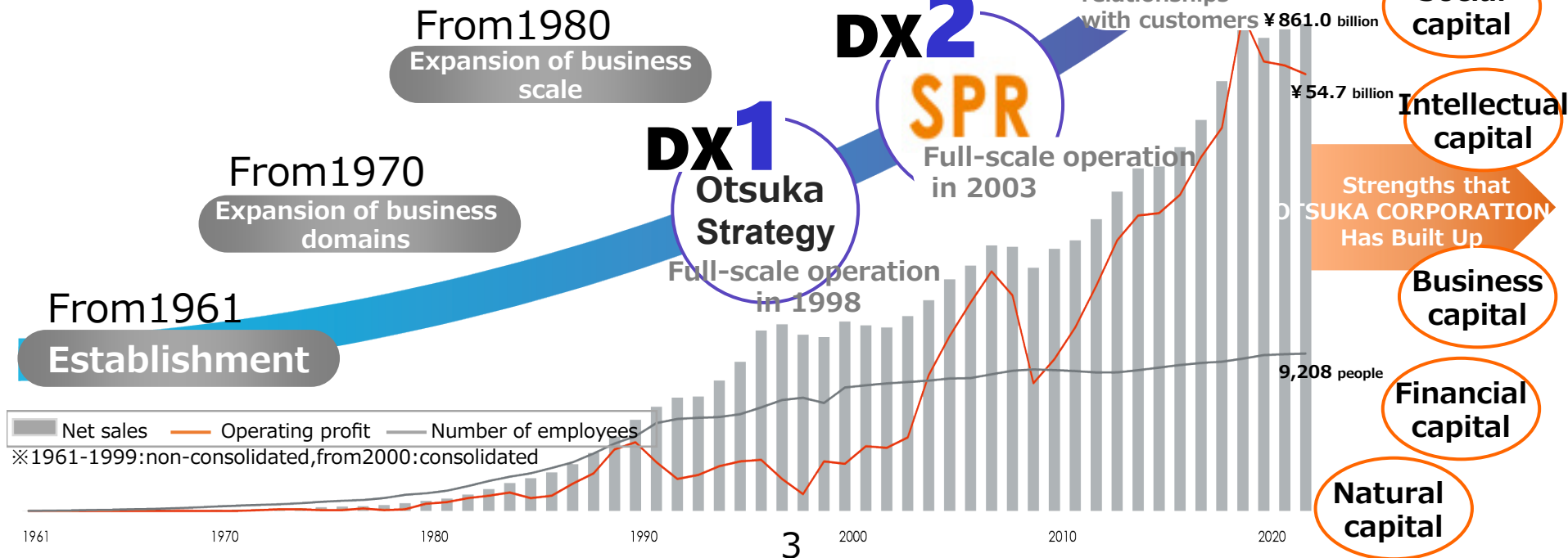
Intellectual capital

Strengths that OTSUKA CORPORATION Has Built Up

Business capital

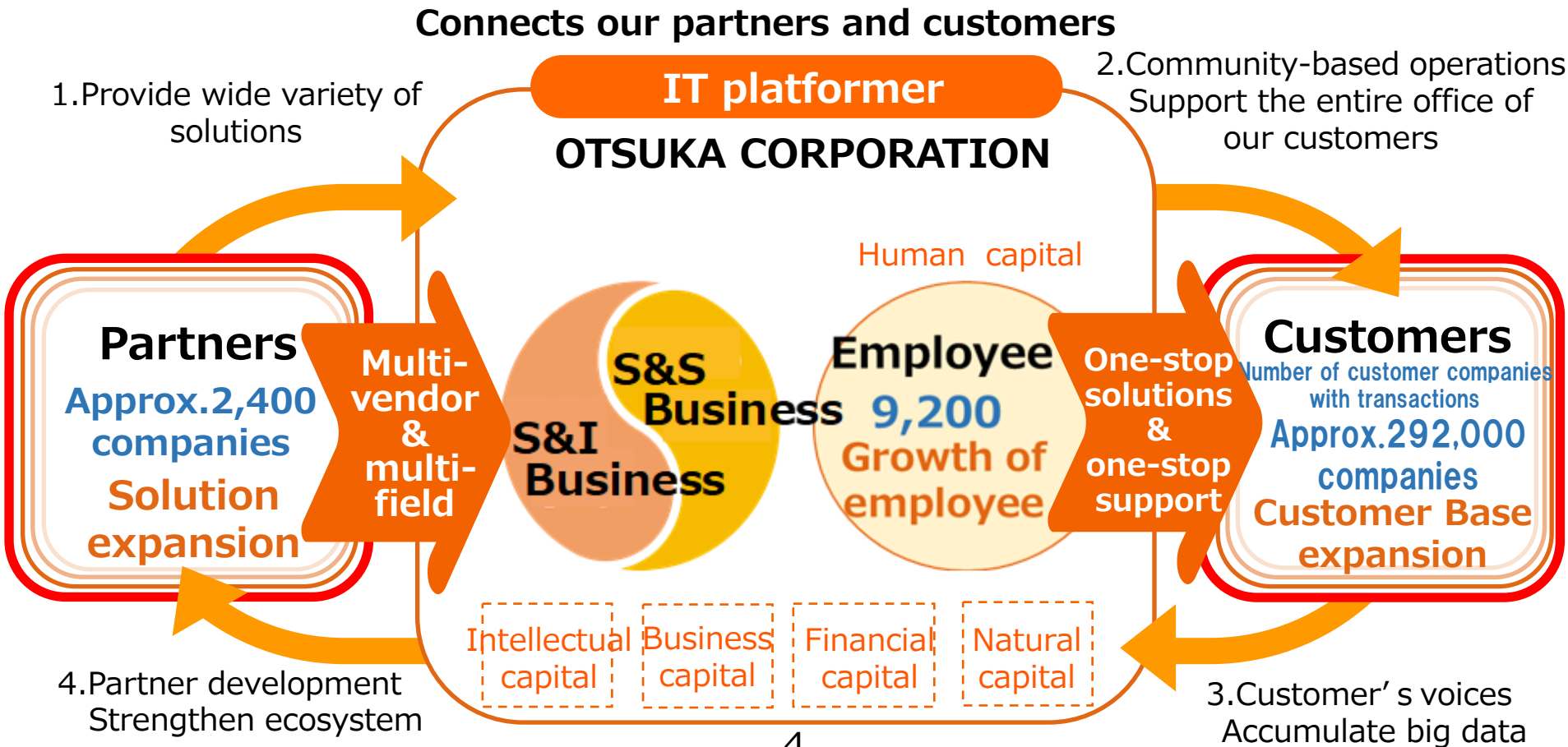
Financial capital

Natural capital



OTSUKA CORPORATION's Strengths

- A globally unique business model that deals with almost all products necessary for offices
- Diverse solutions that provide comprehensive support the entire office our customers



Recognition of external environment

Megatrends

- ▶ Decrease in working population
- ▶ Shortage of IT personnel



Basic Policy

- ▶ Productivity Improvements
- ▶ Securing and Nurturing Personnel

- ▶ Evolution of technology
- ▶ Acceleration of digital shift



- ▶ Promotion of AI Utilization
- ▶ Strengthening the Ecosystem

- ▶ Climate change
- ▶ Advent of a diverse society



- ▶ Promotion of Sustainability Management

Road to Our Medium- to Long-term Management Policy

Recent developments

Since the late 2000s, productivity improved, and we strengthened our corporate foundation. While we achieved record-breaking performance in 2019, changes in the environment due to COVID-19 caused a slowdown from 2020.

What's next

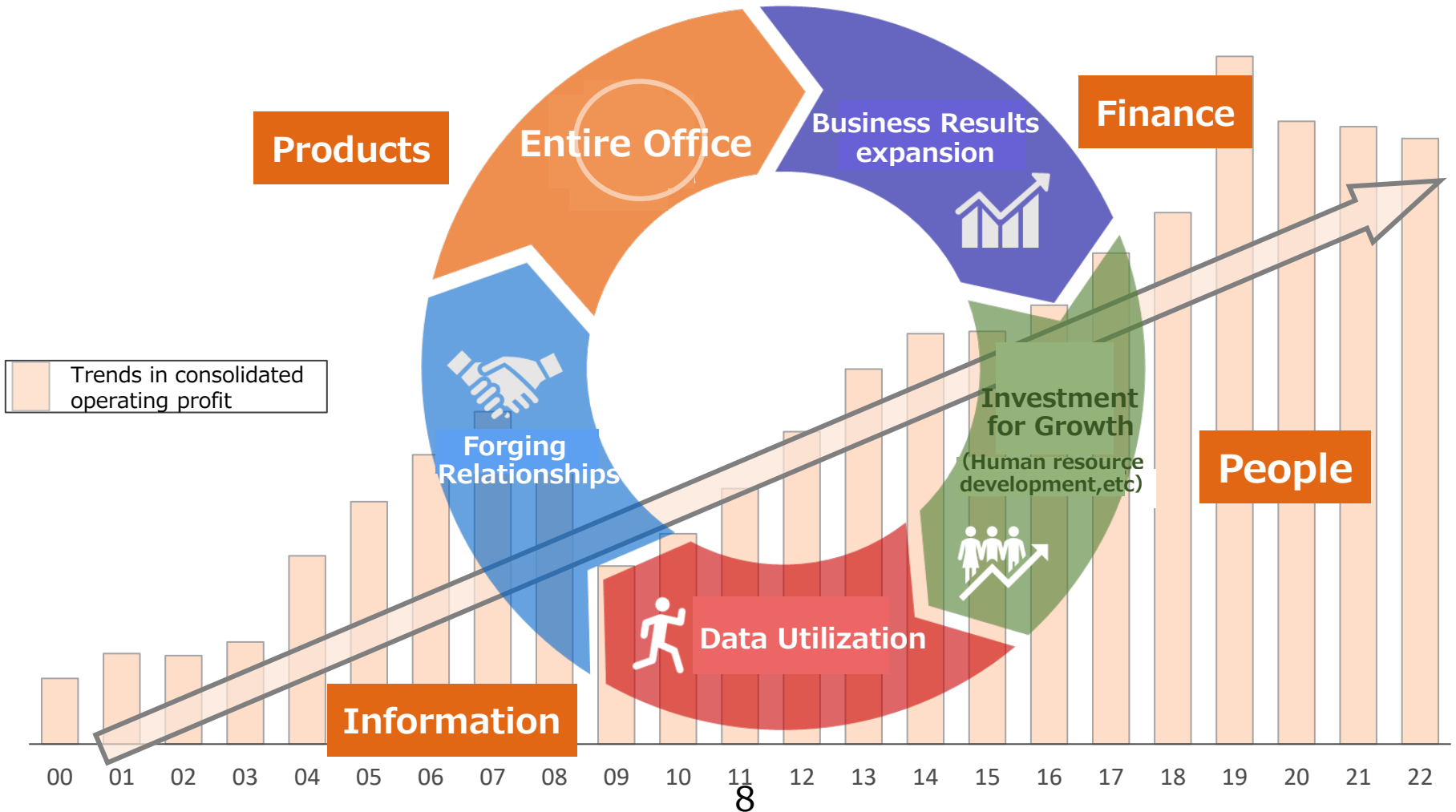
Now we are determined to move past this challenging phase and reestablish our growth trajectory by continuing to contribute to a sustainable society and creating new relationships with customers in order to build a long-term, sustainable business model that can withstand any future environmental changes.

Medium- to Long-term Management Policy

- Maintain stable and sustainable 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% or more
- Workforce plan calls for slight increases while focusing on productivity improvements
- Cultivate demand by utilizing information
- Raise per head productivity through efficient utilization of people, goods, money, and information

Growth cycle - 1

Pursue a growth cycle and create a more refined, long-term sustainable business model



People

Cultivate human resources and promote diversity

Create a motivating environment and achieve well-being

➔ Foster highly skilled professionals with multiple abilities

Pursue employee satisfaction and implement management reforms

Products

Offer a wide range of products that customers demand and fit the times

➔ Cultivate partnerships for mutual growth and development, and strengthen in-house development

Finance

Increase investment in growth areas and enhance shareholder returns

➔ Invest in human capital, information systems, business, and facilities, and utilize M&A to secure IT talent

Information

Enhance customer support capabilities and cultivate demand through effective information utilization

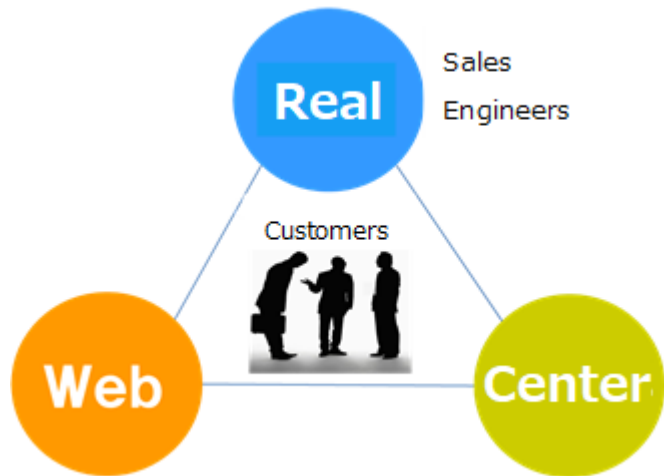
➔ Accumulate and utilize customer data, and promote the use of AI

Build on efforts to create new relationships with customers to be a partner that they can entrust with their "Entire Office" needs

Create new relationships with customers

Craft a world in which we are always connected with customers

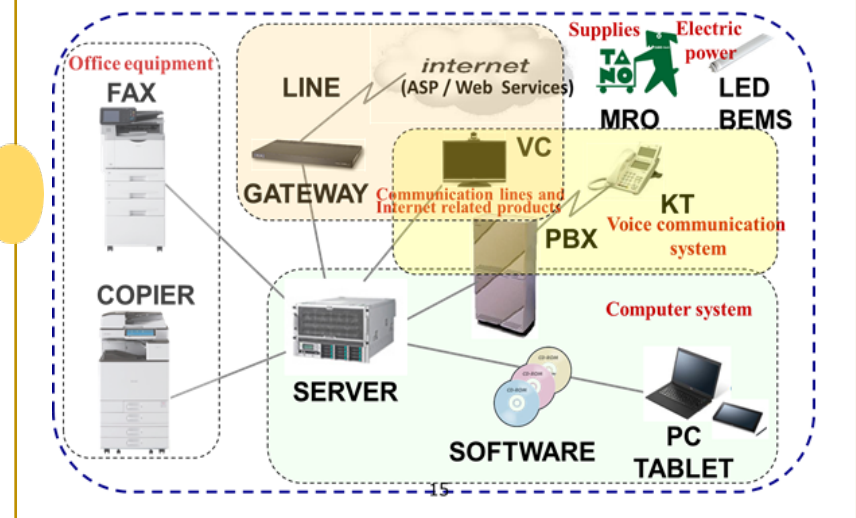
Develop "real," "online" and "center" customer fronts, integrating them seamlessly to provide comprehensive support



Entire Office

Address all customer needs and challenges

Leverage our strengths to shift to "Entire Office" solutions, fostering individual growth and development, and evolving our business



Enhance Profitability

Enhance profitability by focusing on value-added propositions and accumulated business

From system implementation

SI Business (System Integration)

SI Related Product

- Hardware
IT related product
OA product
Network equipment, etc.
- Software
SMILE
CAD etc.

Consigned Software, etc.

- Consulting
- Consigned software
- Install
- Carry-in installation

To post-implementation support

S&S Business (Service&Support)

Supply

- OA Supply
- Stationery
- Office supplies

tanomail

Maintenance etc.

- Hardware and software maintenance
- IT services
- Communication lines
- Paid support

tayoreru

Value-added proposition focus

Enhance profitability through solutions that solve customer issues, and promoting comprehensive and integrated proposals

Accumulated business focus

(Supply + Maintenance)

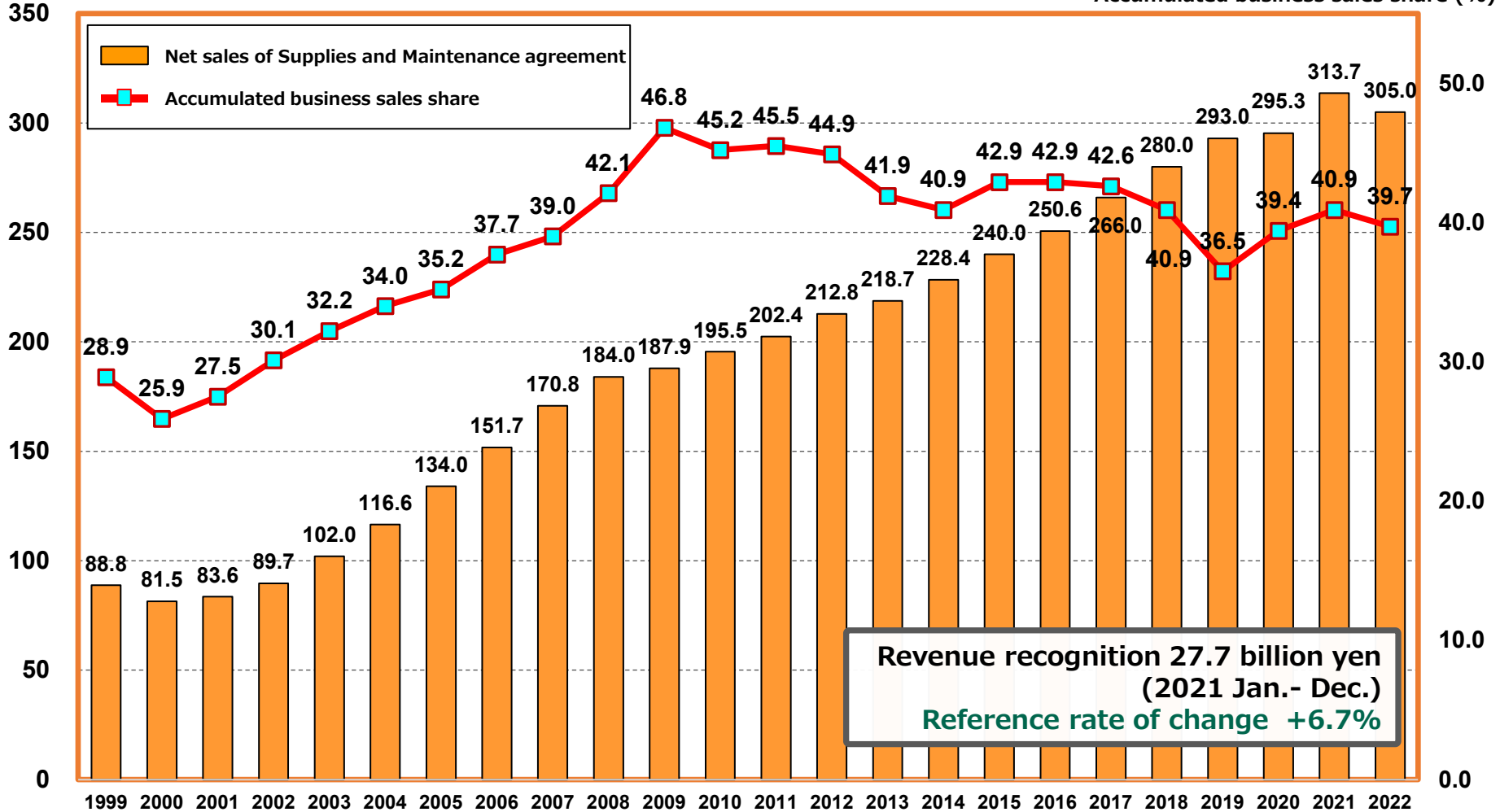
Make a pillar of revenue that is less susceptible to environmental changes, providing stable sales and secure profits

Growth of accumulated business

Net sales of Supplies and Maintenance agreement Accumulated business sales share

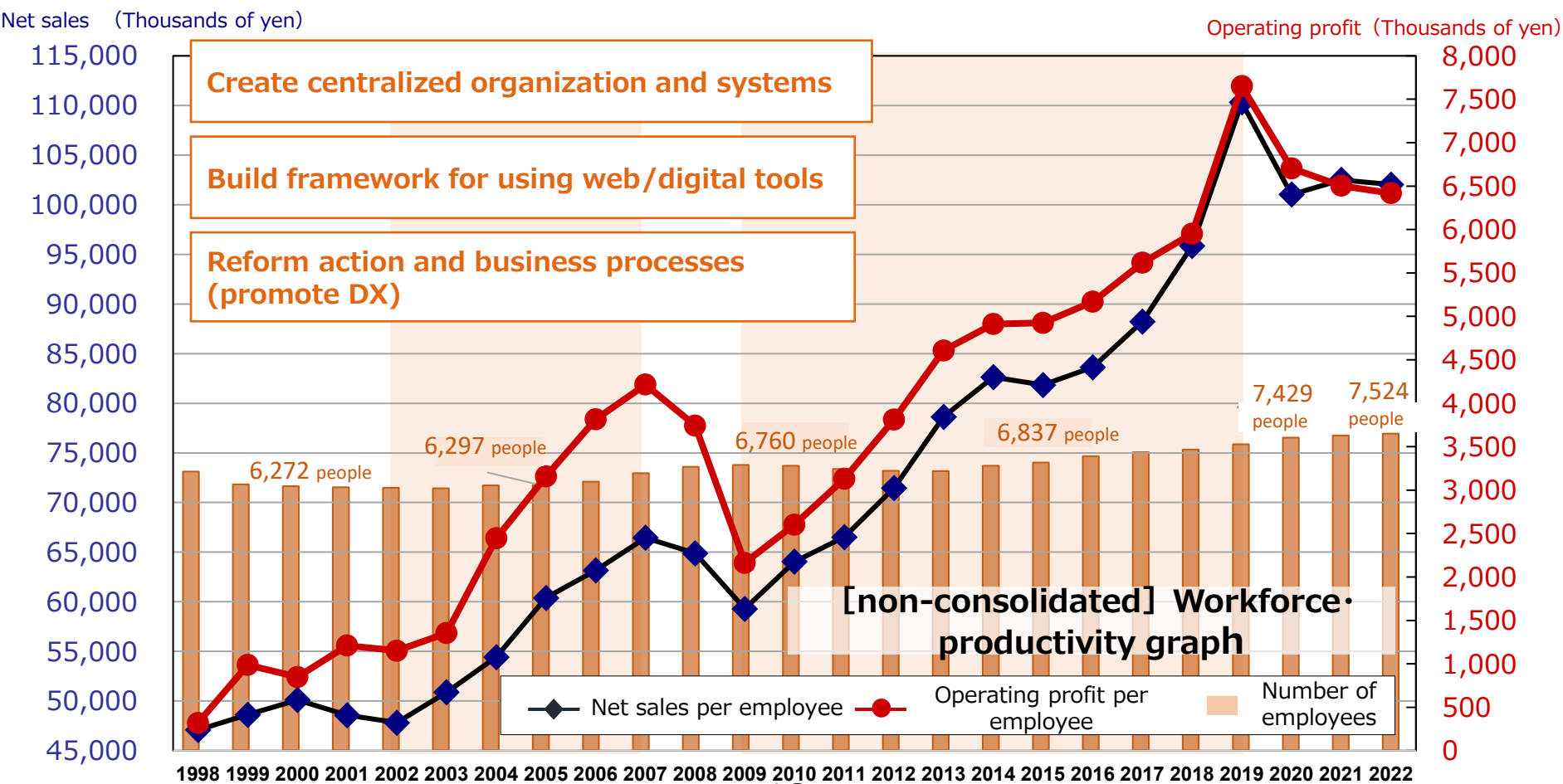
Net sales of Supplies and Maintenance agreement (Billions of yen)

Accumulated business sales share (%)

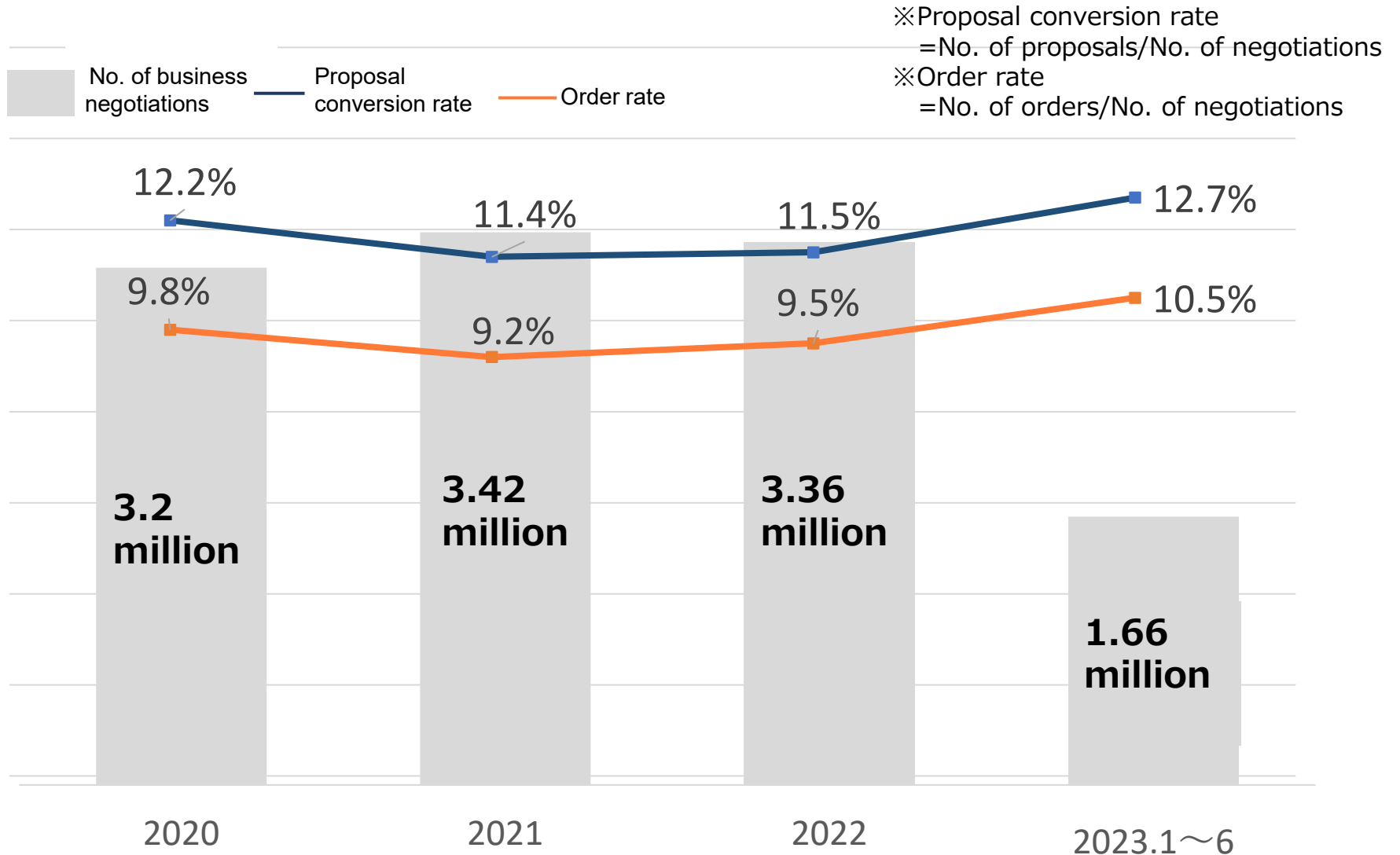


Improve of productivity

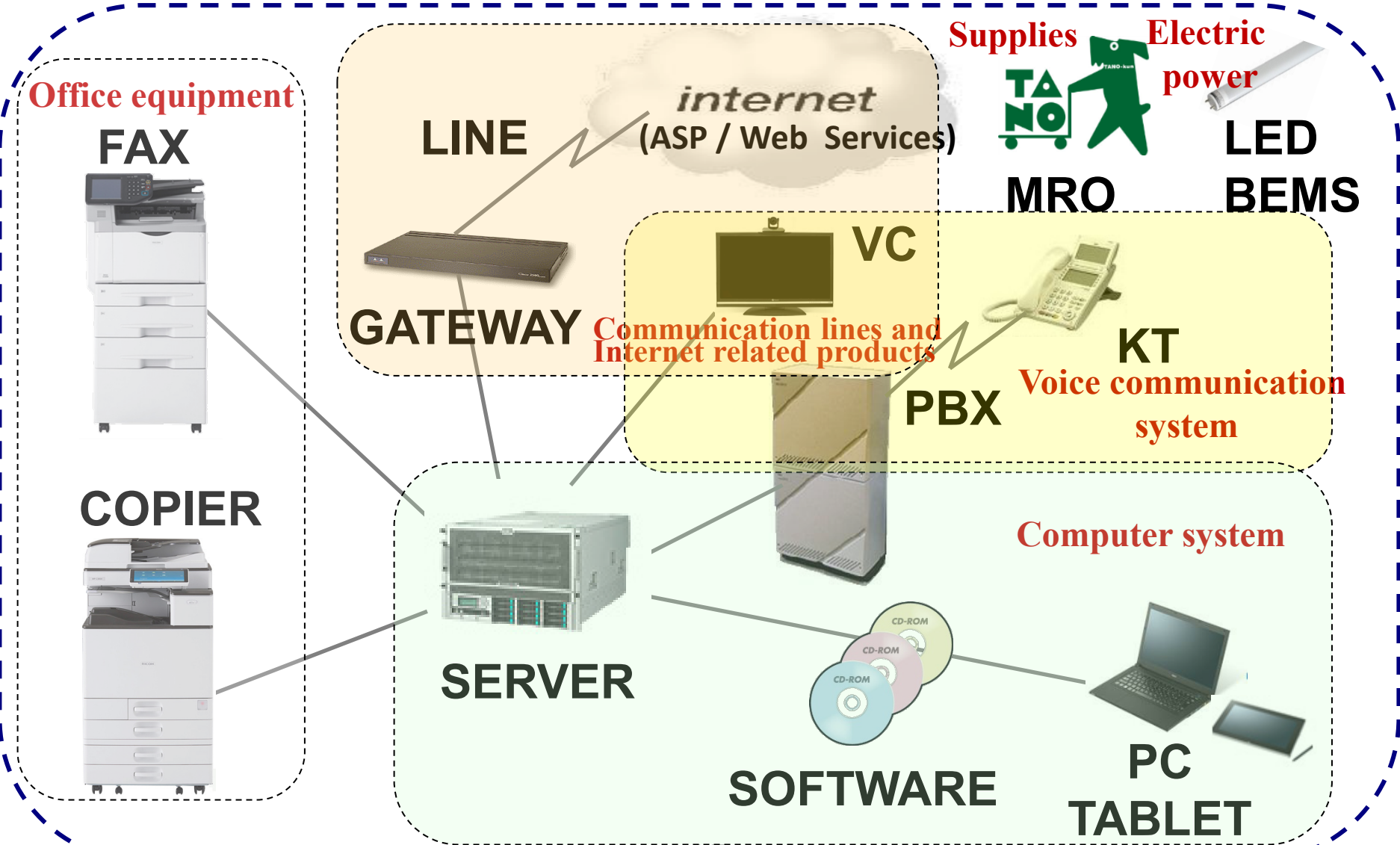
Enhance productivity through structure, systems, and DX initiatives, with minimal increase in headcount



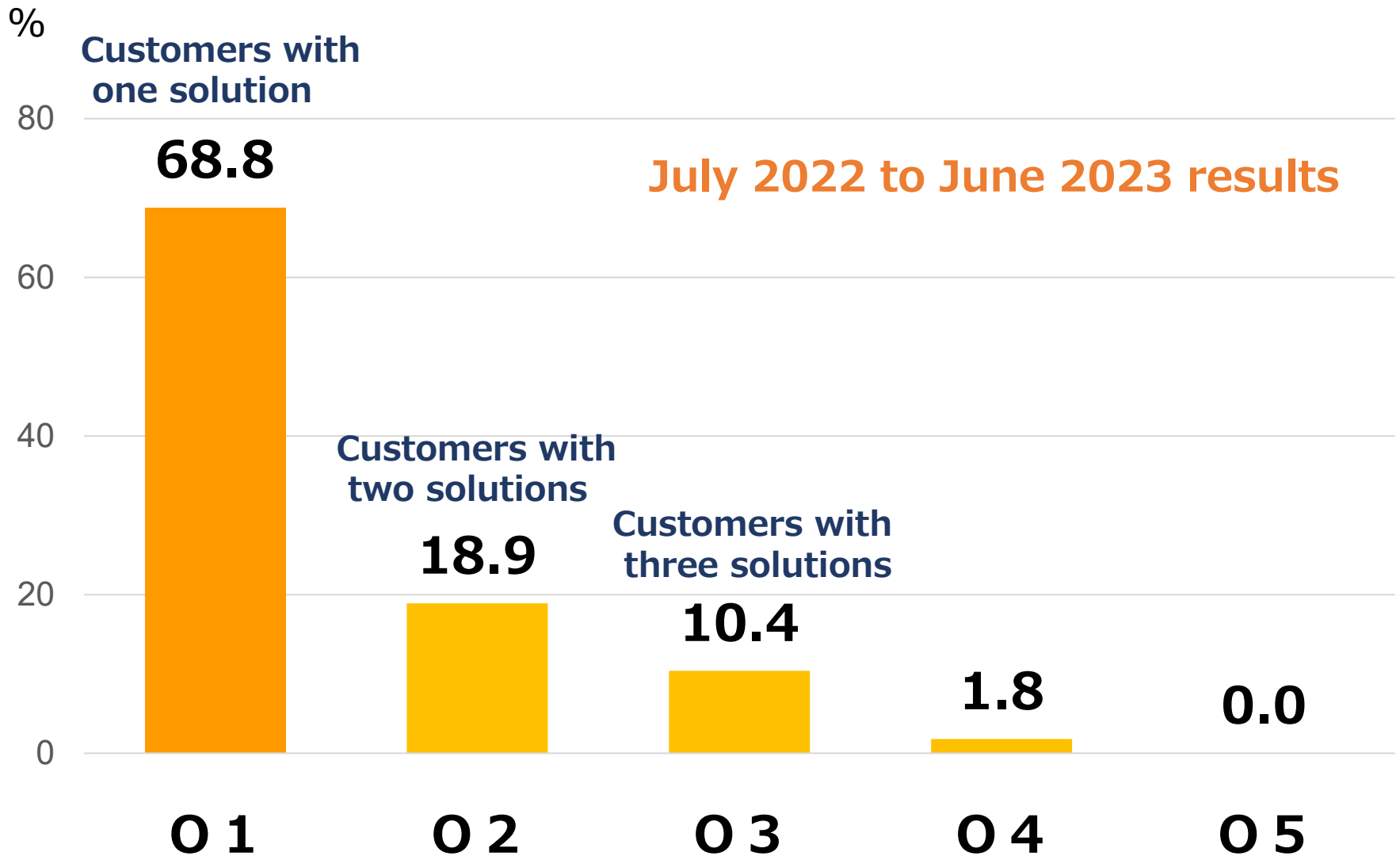
Business Negotiations and Order Rate



OTSUKA CORPORATION for the Entire Office



Ratio of Solutions Per Customer

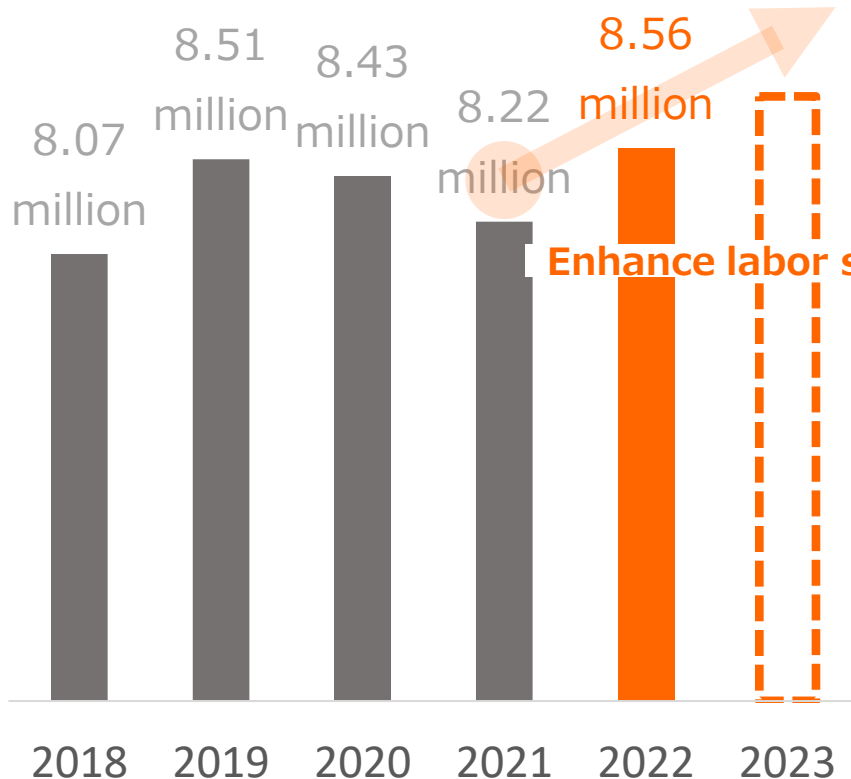


Creating Job Satisfaction

Support employee growth and self-fulfillment to build a sustainable personnel system

[Average annual salary (parent alone)]

*Based on information from the Securities Report



Employee growth = Corporate growth

Strengthening human capital is an investment in future growth.

Periodically reassess labor share to ensure a more tangible impact on corporate growth.

Provide support systems and training opportunities to assist employee growth.

OTSUKA CORPORATION's Growth Drivers

By acquiring new customers and engaging deeply with them, we can support their growth, which in turn contributes to the growth of OTSUKA CORPORATION

Achieve robust management based on strong customer trust and satisfaction

Increase customer numbers



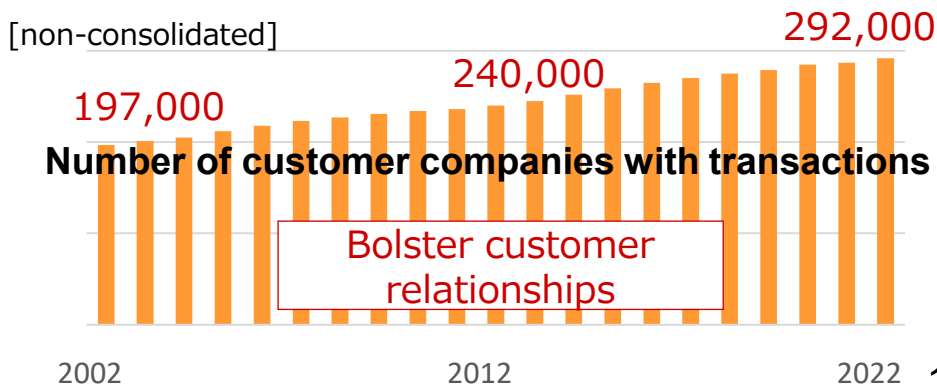
Increase sales per company

Door-opener strategy

Prevent customer attrition

Deepen relationships

Increase long-term repeat customers



K P I s

Instead of focusing on short-term performance, aim for steady medium- to long-term growth to meet the expectations of stakeholders

Relationship with customers

[Number of companies] **+ 2%**

[Sales per company] **+ 3%**

Operating profit/Ordinary profit

[Annual average growth rate] **+ 6%**

[Profit margin] **7%**

R O E

13% or more

Dividend payout ratio

Consistently achieve

50% or more

Sustainable Management - 1

Philosophy

Aim to achieve a sustainable society and continuously enhance corporate value by implementing our Mission Statement

Action

Contribute to resolving ESG issues and achieving the SDGs through efforts in materiality and DX

Resolve ESG issues

~Reduce long-term financial risks and establish stable a growth foundation

Achieve SDGs

~Expand business domains through innovation and contribute to the creation of a spiritually rich society

Sustainable Management - 2

Aim to become a sustainable company that grows together with society by addressing key issues

[Materiality]

Value creation through business activities

Maintenance and expansion of the customer base

Coexistence and co-prosperity with Partners

Coexistence with the community

Support for employee growth and self-fulfillment

Improvement of employee engagement

Promotion of diversity, equity, and inclusion


Human resource development

Implementation of responsible corporate activities

Response to climate change

Information security to provide safe and secure solutions

Strengthening governance



GHG Emission reduction target

2030 (compared with 2021)
Scope1 and 2
42% reduction
Scope3
25% reduction

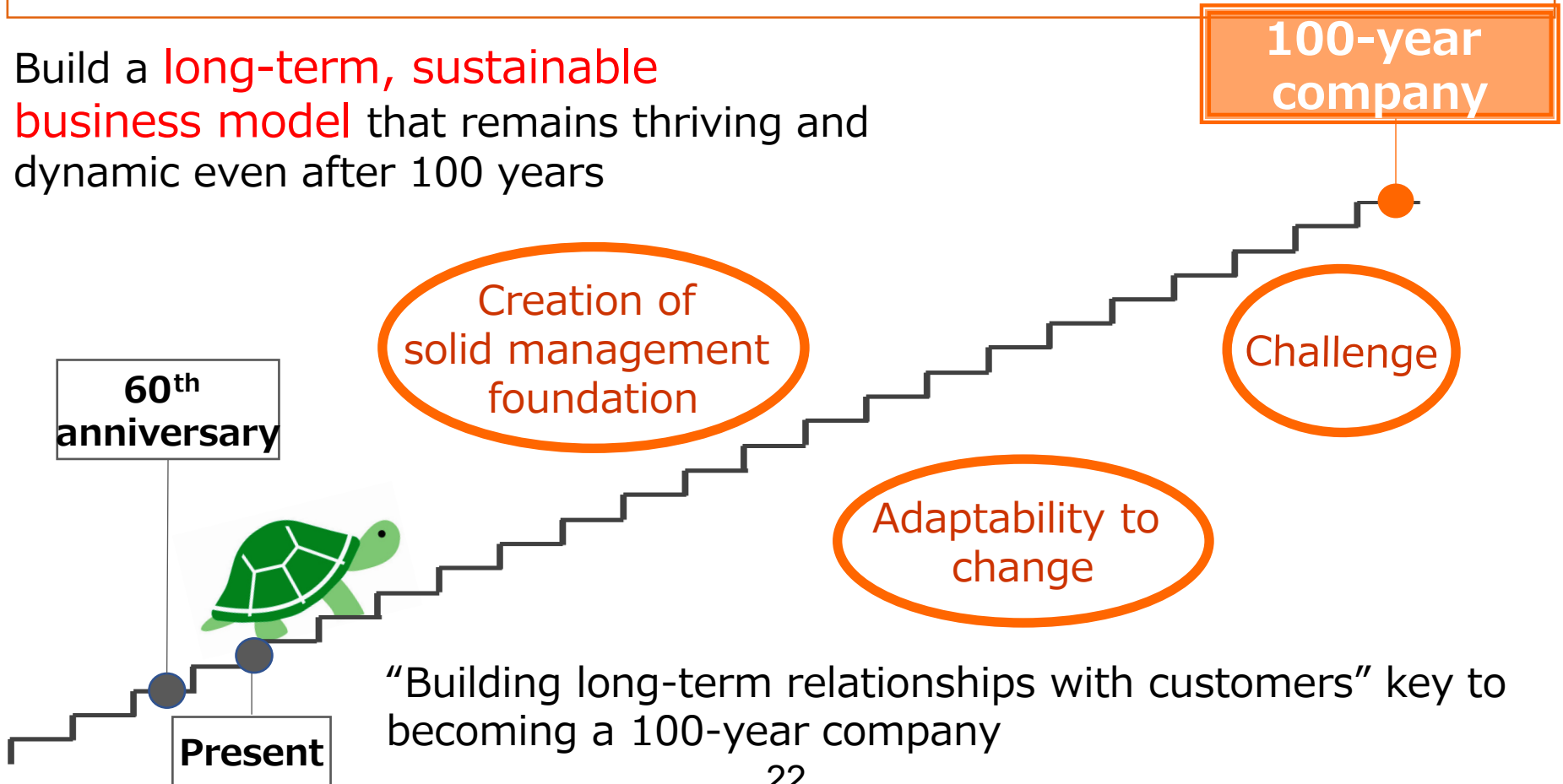
2050
Net zero

Female manager ratio
Swiftly achieve 10%

Toward a 100-Year Company

Aim to become a “100-year company” manifesting stable, sustainable growth by implementing our Medium- to Long-term Management Policy under our Mission Statement

Build a **long-term, sustainable business model** that remains thriving and dynamic even after 100 years



Community

Customers

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

**Shareholders
Business Partners**

Employees