



Business Results

for the fiscal year ended December 31, 2015

February 1, 2016

OTSUKA CORPORATION

Yuji Otsuka, President

Summary of Business Results, January – December, 2015

(Millions of yen)

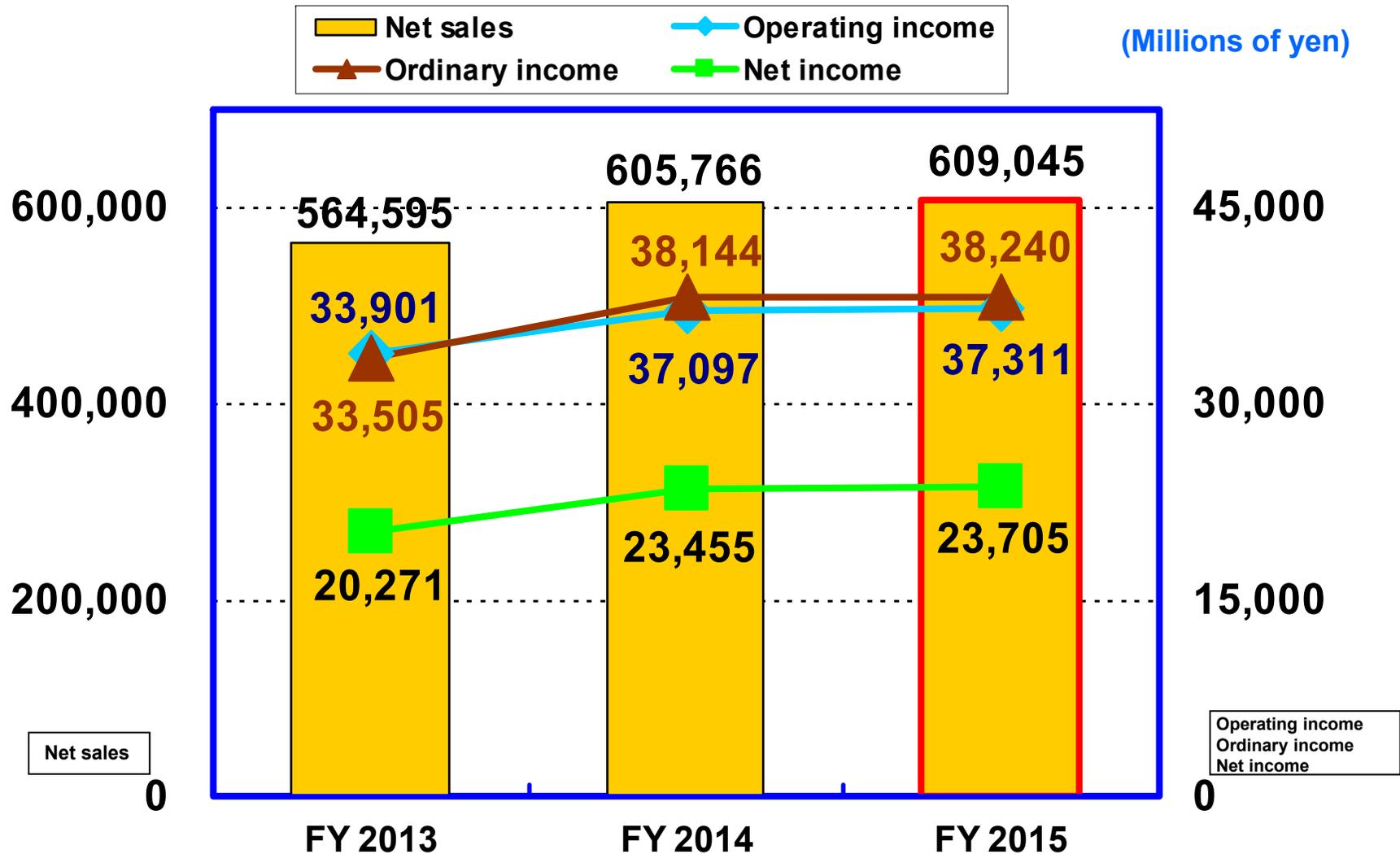
	Consolidated			Non-Consolidated		
	Amount	Ratio to Plan	Change to Last Year	Amount	Ratio to Plan	Change to Last Year
Net sales	609,045	98.6%	+0.5%	559,576	98.2%	+0.2%
Operating income	37,311	99.2%	+0.6%	33,677	99.9%	+1.4%
Ordinary income	38,240	99.8%	+0.3%	34,790	100.6%	+1.5%
Net income	23,705	100.4%	+1.1%	21,640	100.6%	+1.1%

Consolidated subsidiaries

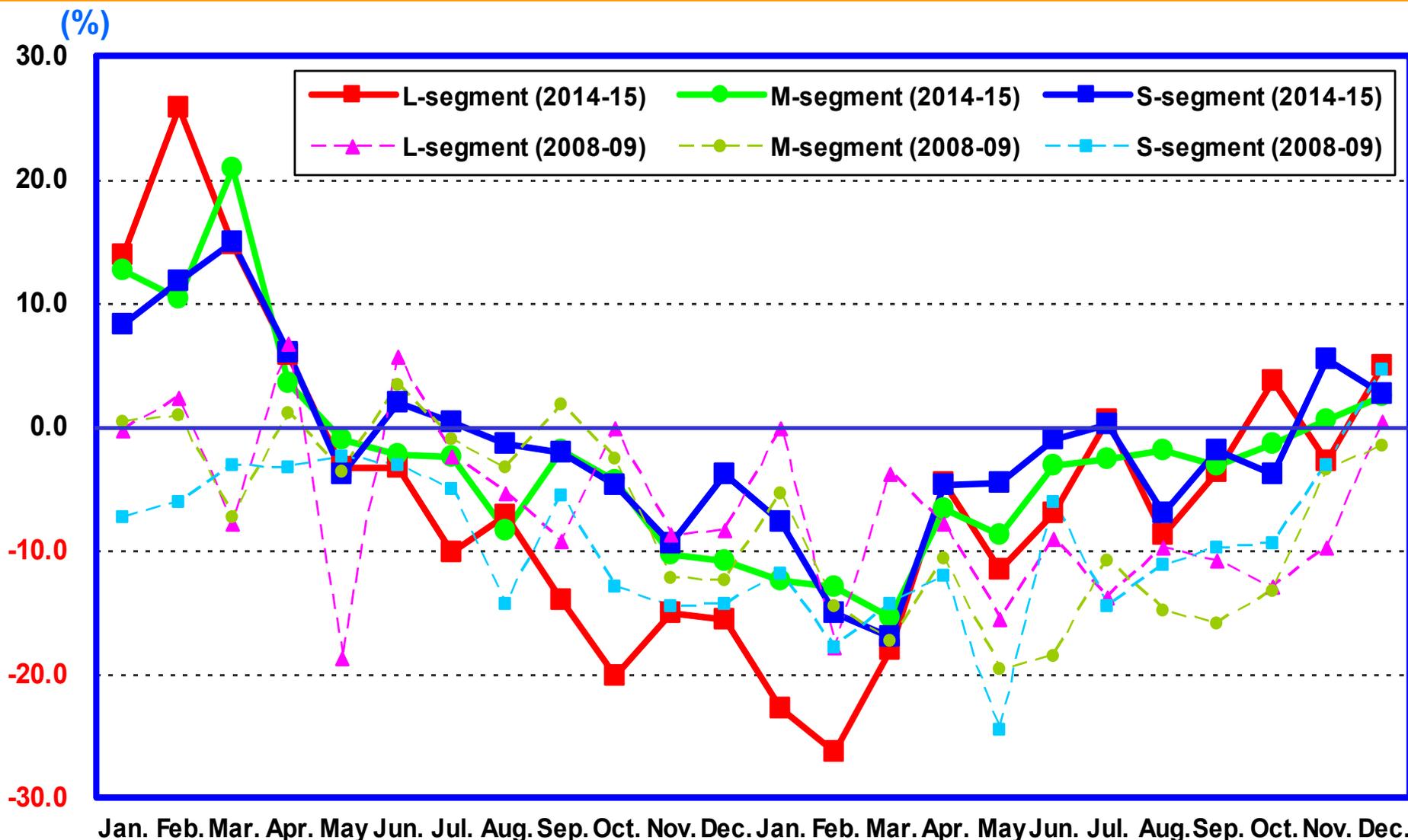
Segment	Company name	Business domain	Number of employees	FY 2015 Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	423	7,203
	Net World Corporation	Sales and technology support for network-related equipment	385	66,874
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	315	4,304
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	404	7,765
Others	Otsuka Auto Service Co., Ltd	Maintenance and body work for automobiles, and commissioned sales of insurance	23	563

Consolidated

Net sales and Profits



Monthly percentage of net sales per account by customer's total annual business scale



Expansion of customer base

Number of **companies** newly registered

2013		2014		2015
35,000	→	41,000	→	46,000

Number of **accounts** newly registered

2013		2014		2015
128,000	→	126,000	→	139,000

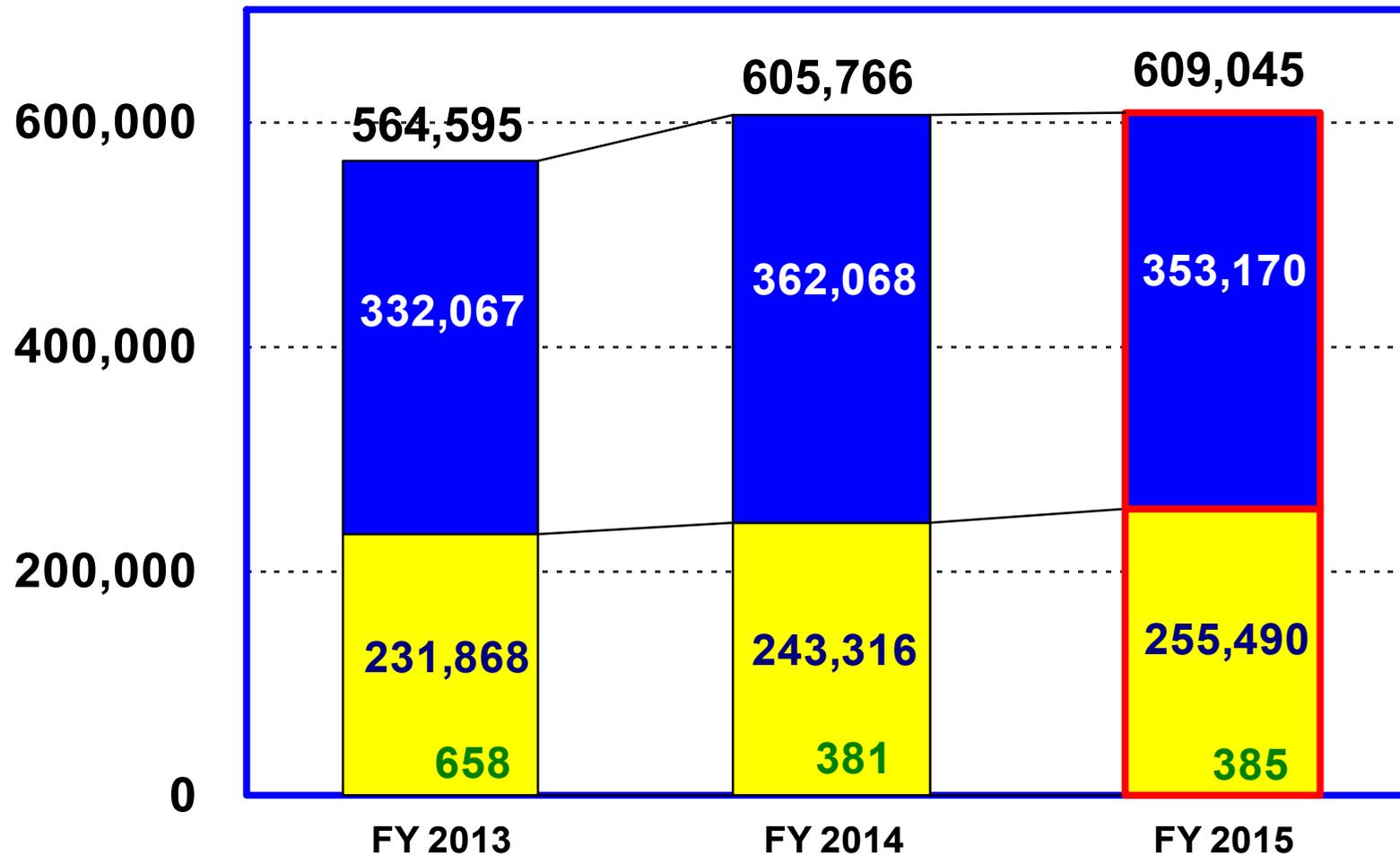
New customers are steadily increasing

Consolidated

Net sales by segments

■ SI business ■ S&S business ■ Other business

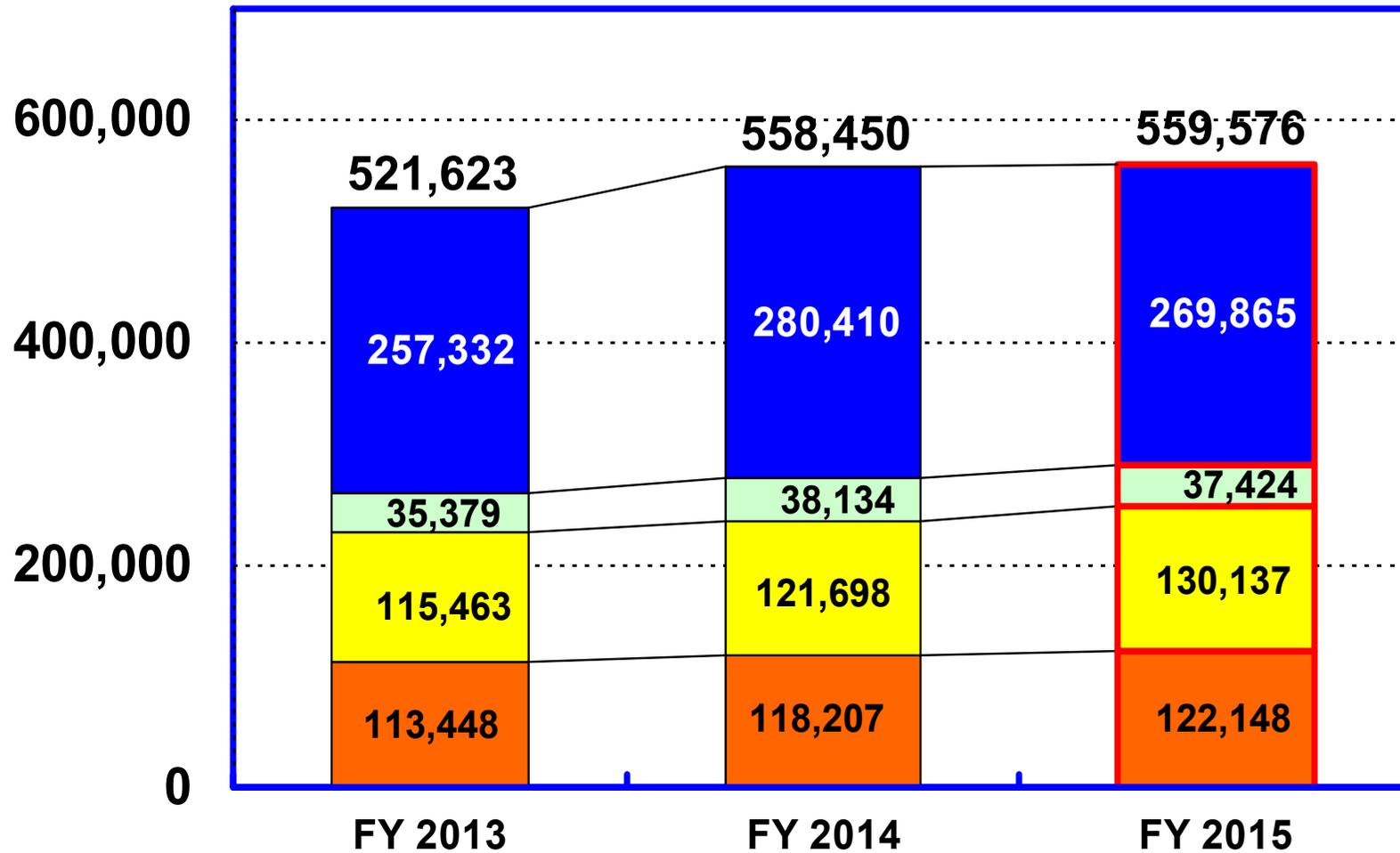
(Millions of yen)



Net sales by 4 segments

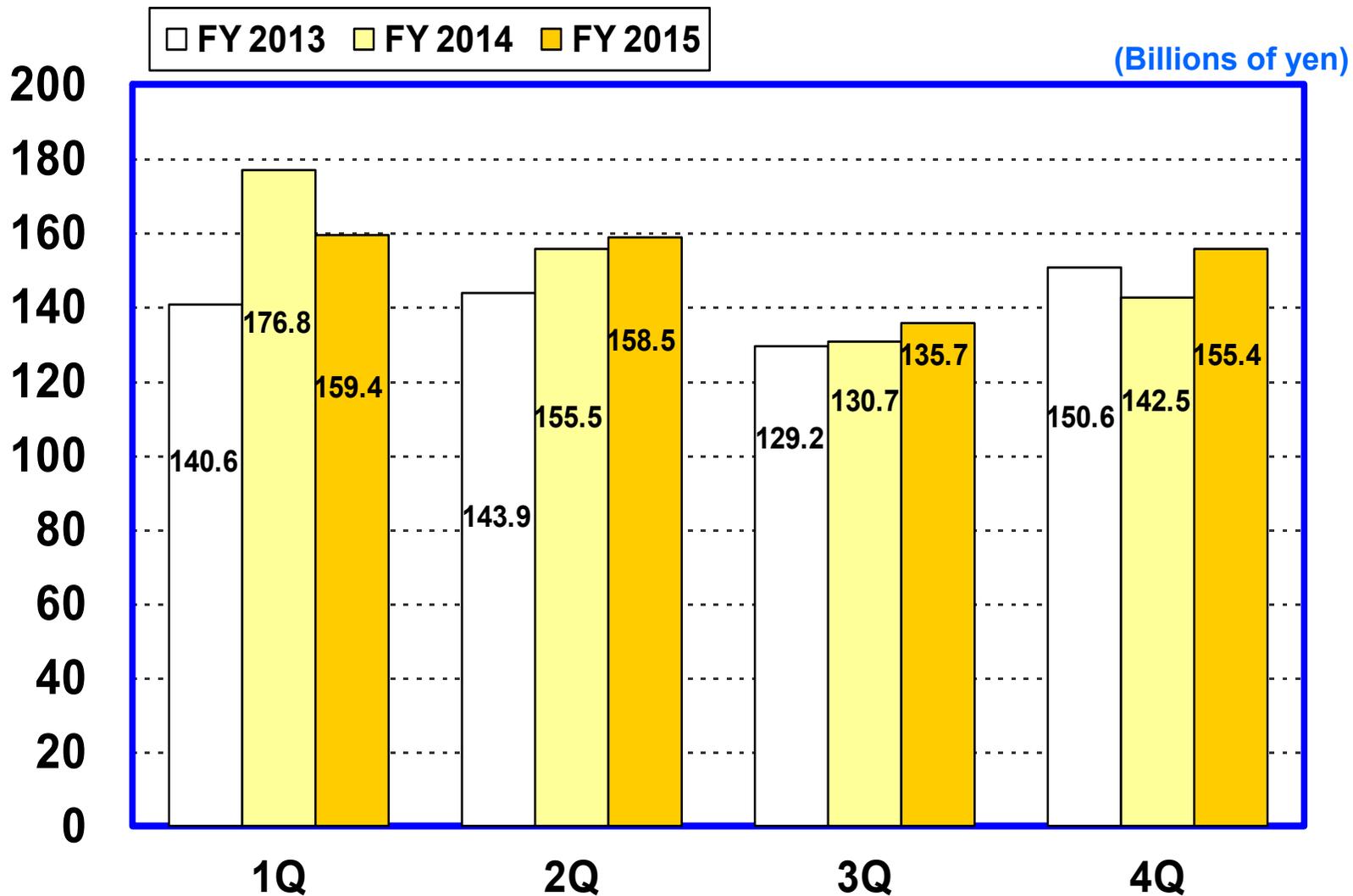


(Millions of yen)



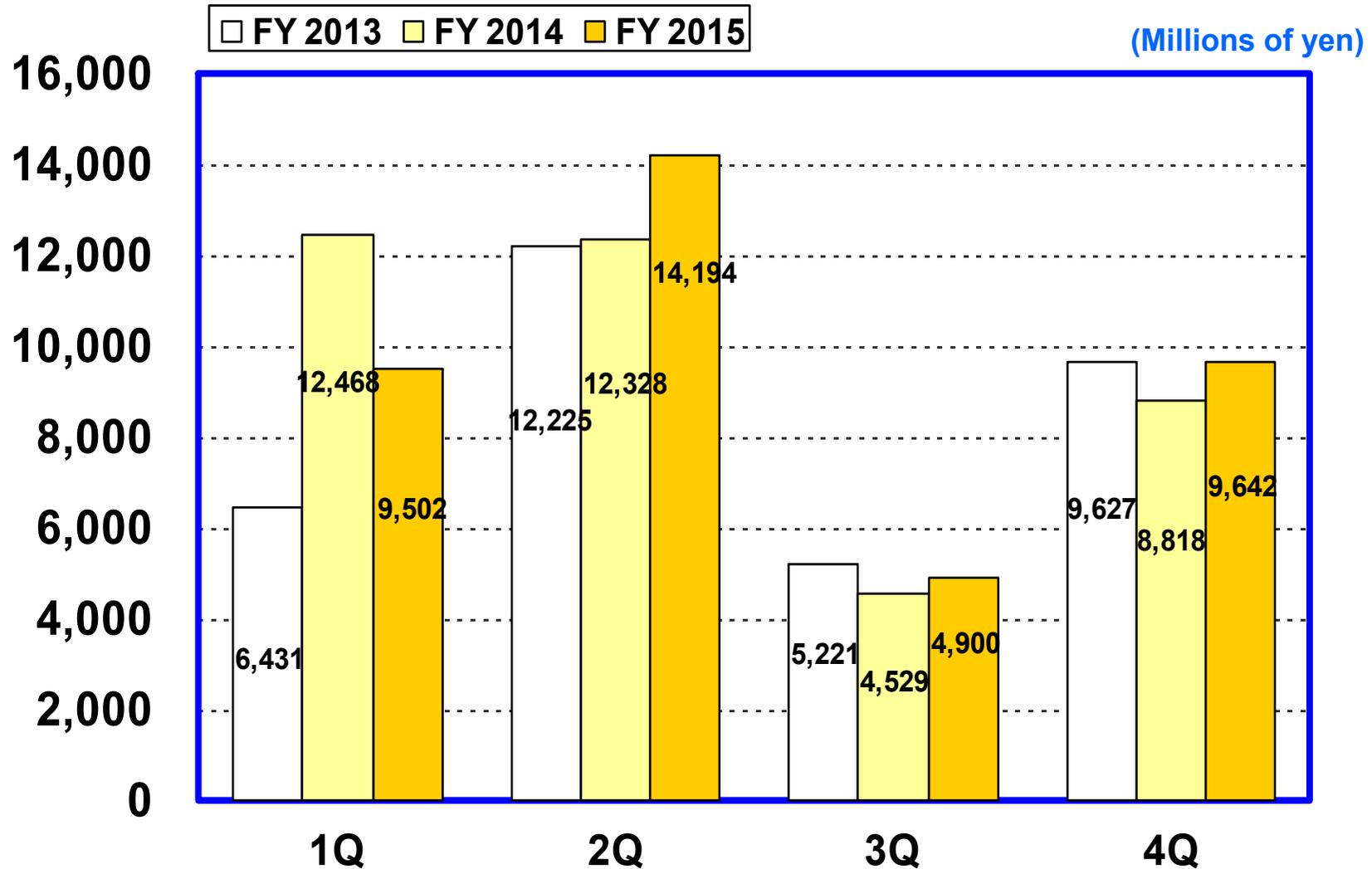
Consolidated

Quarterly change of Net sales



Consolidated

Quarterly change of Ordinary income



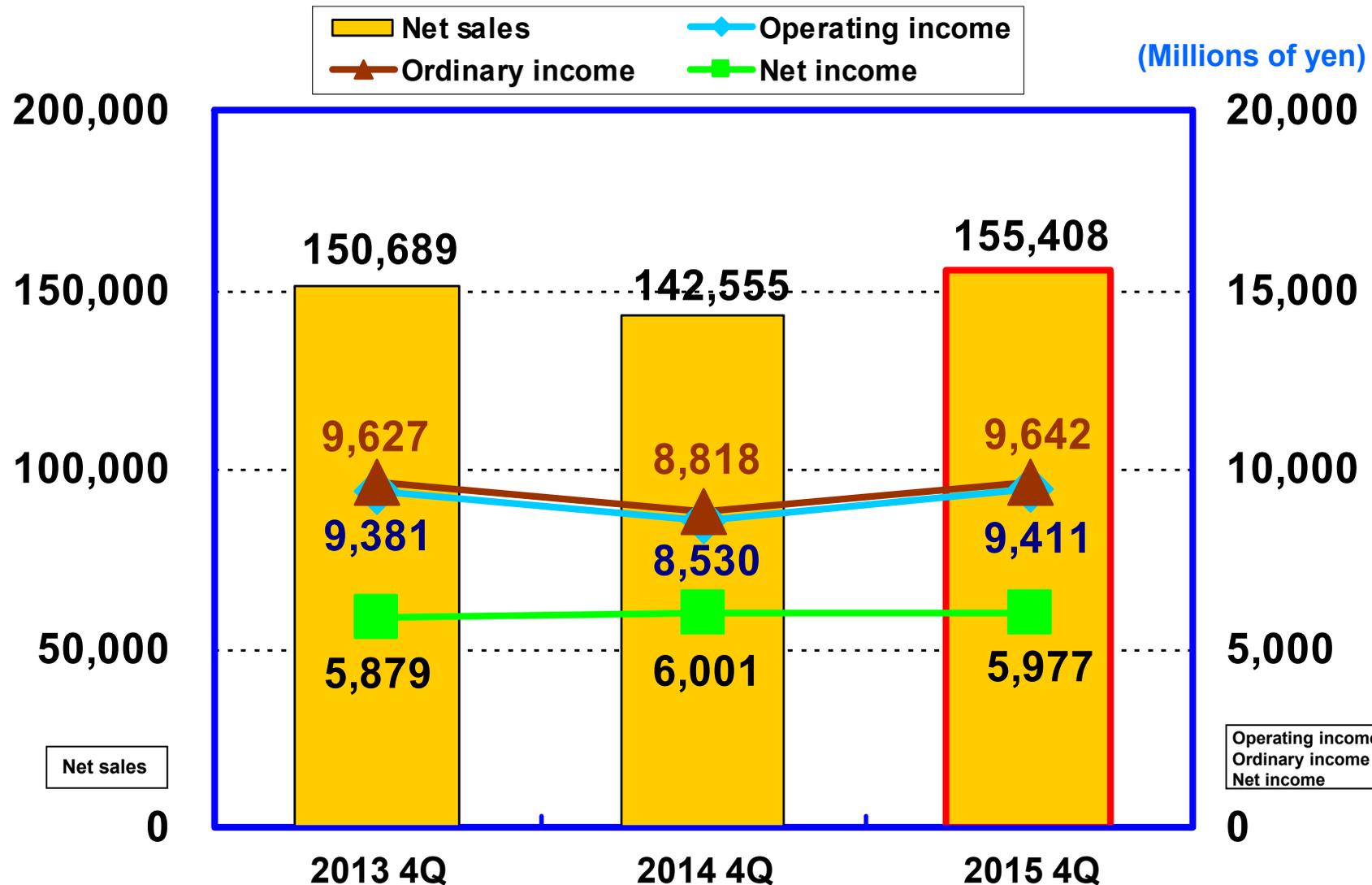
Summary of Business Results, October – December, 2015

(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	155,408	+9.0%	142,838	+9.5%
Operating income	9,411	+10.3%	8,707	+13.7%
Ordinary income	9,642	+9.3%	8,870	+12.5%
Net income	5,977	-0.4%	5,503	+0.3%

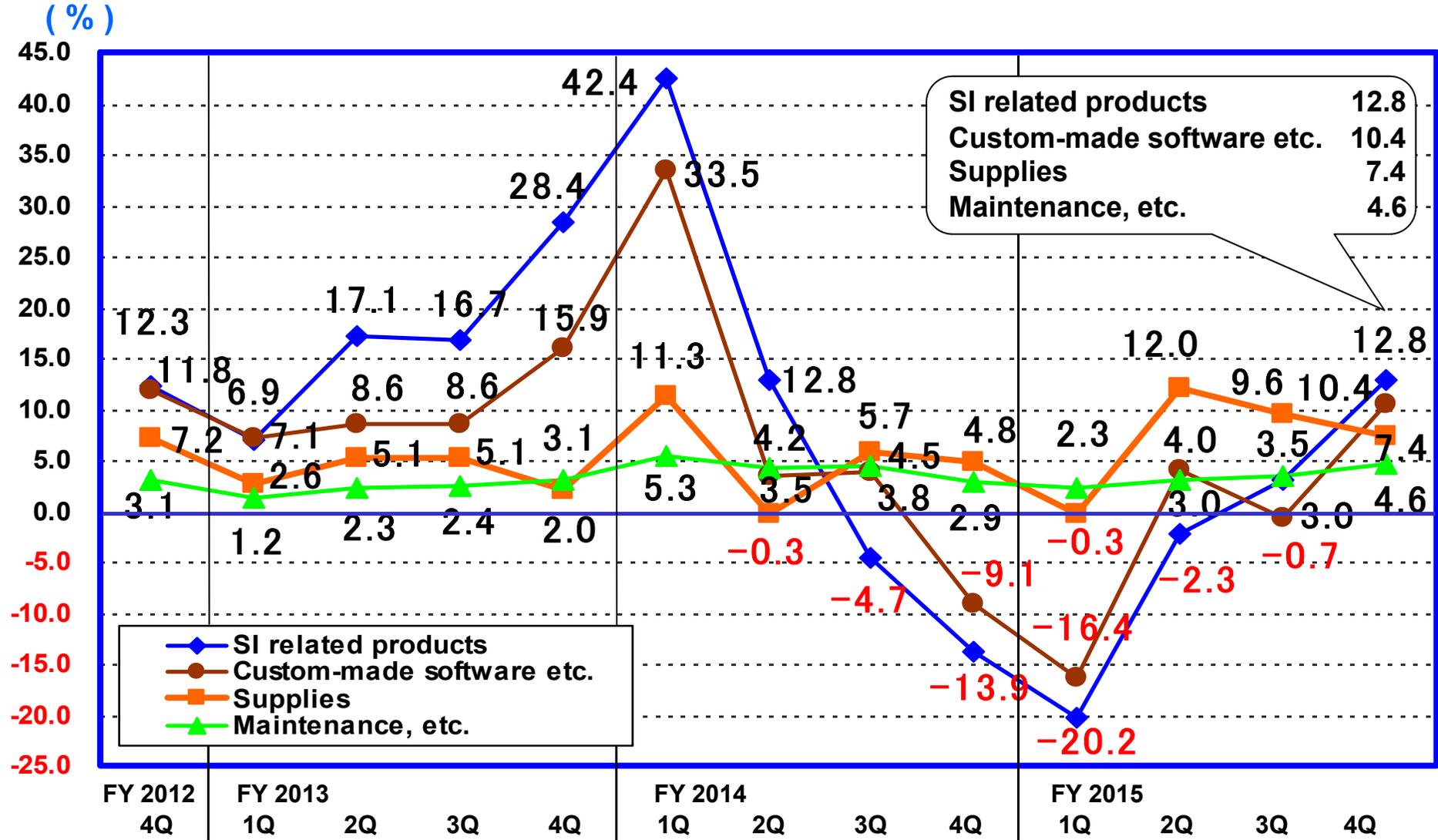
Consolidated

Net sales and Profits, October – December



Non-Consolidated

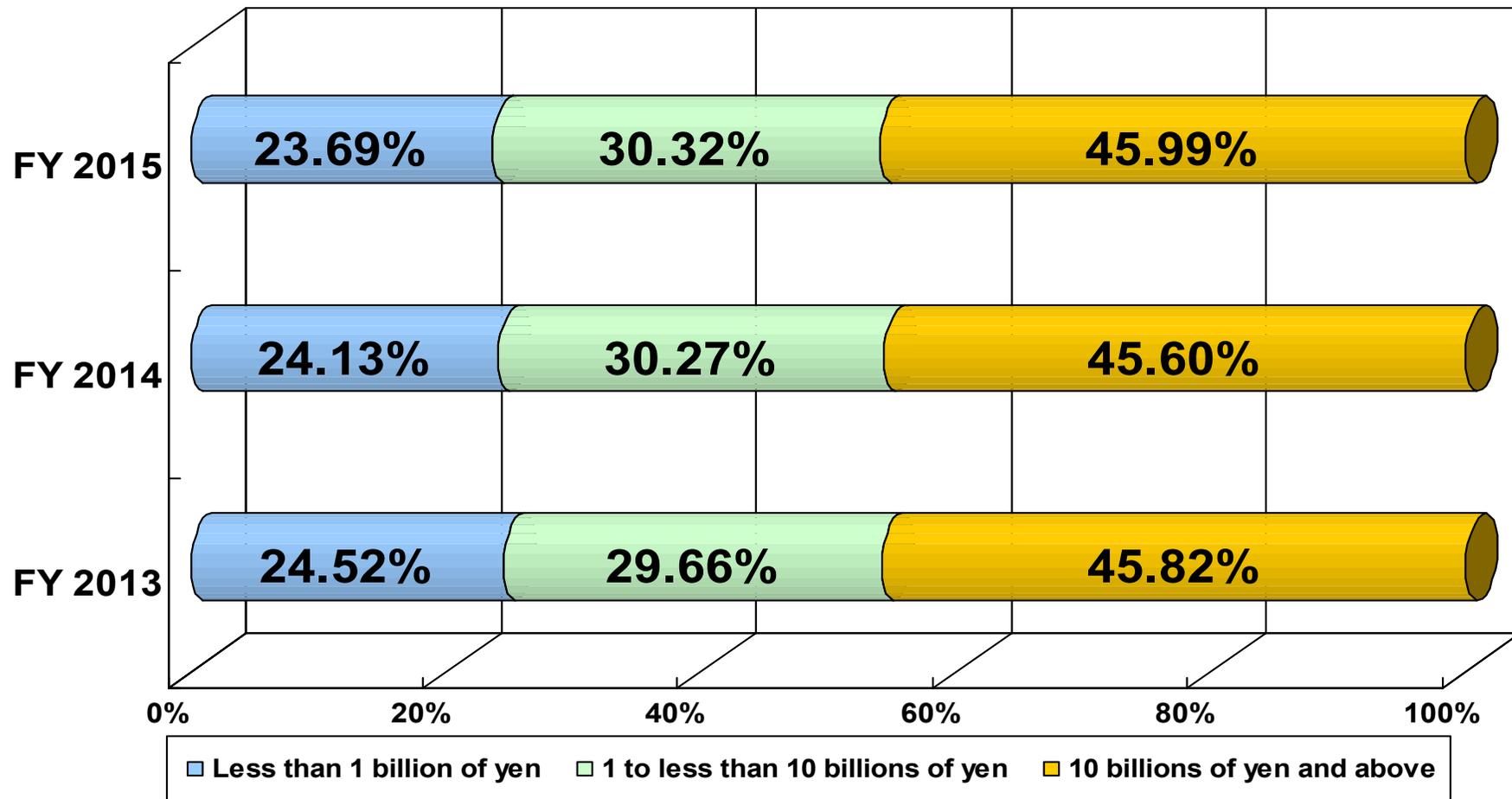
Quarterly Net Sales by 4 segments (% change year-on-year)



SI related products	12.8
Custom-made software etc.	10.4
Supplies	7.4
Maintenance, etc.	4.6

Non-Consolidated

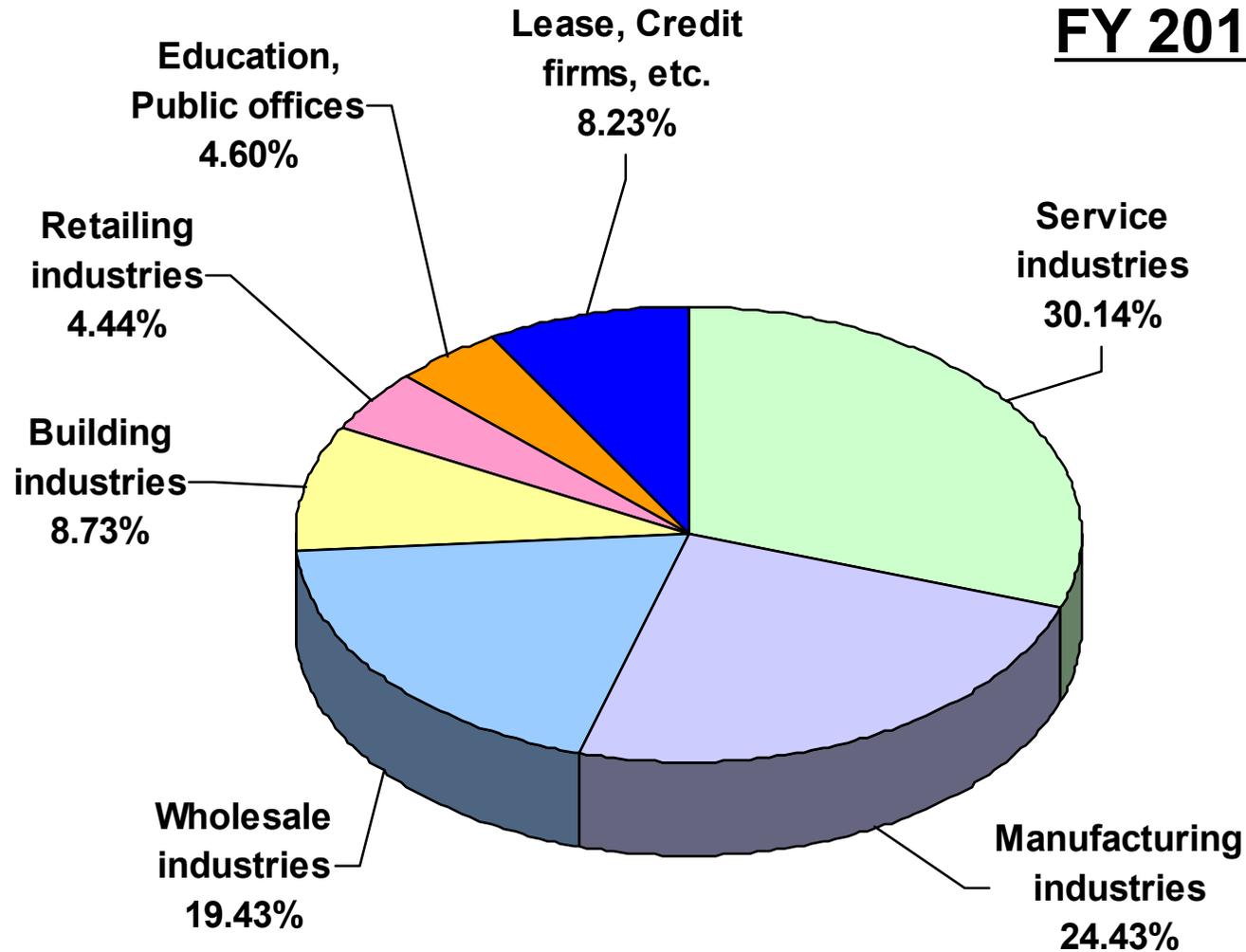
Net sales structure on customers' total annual business scale



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

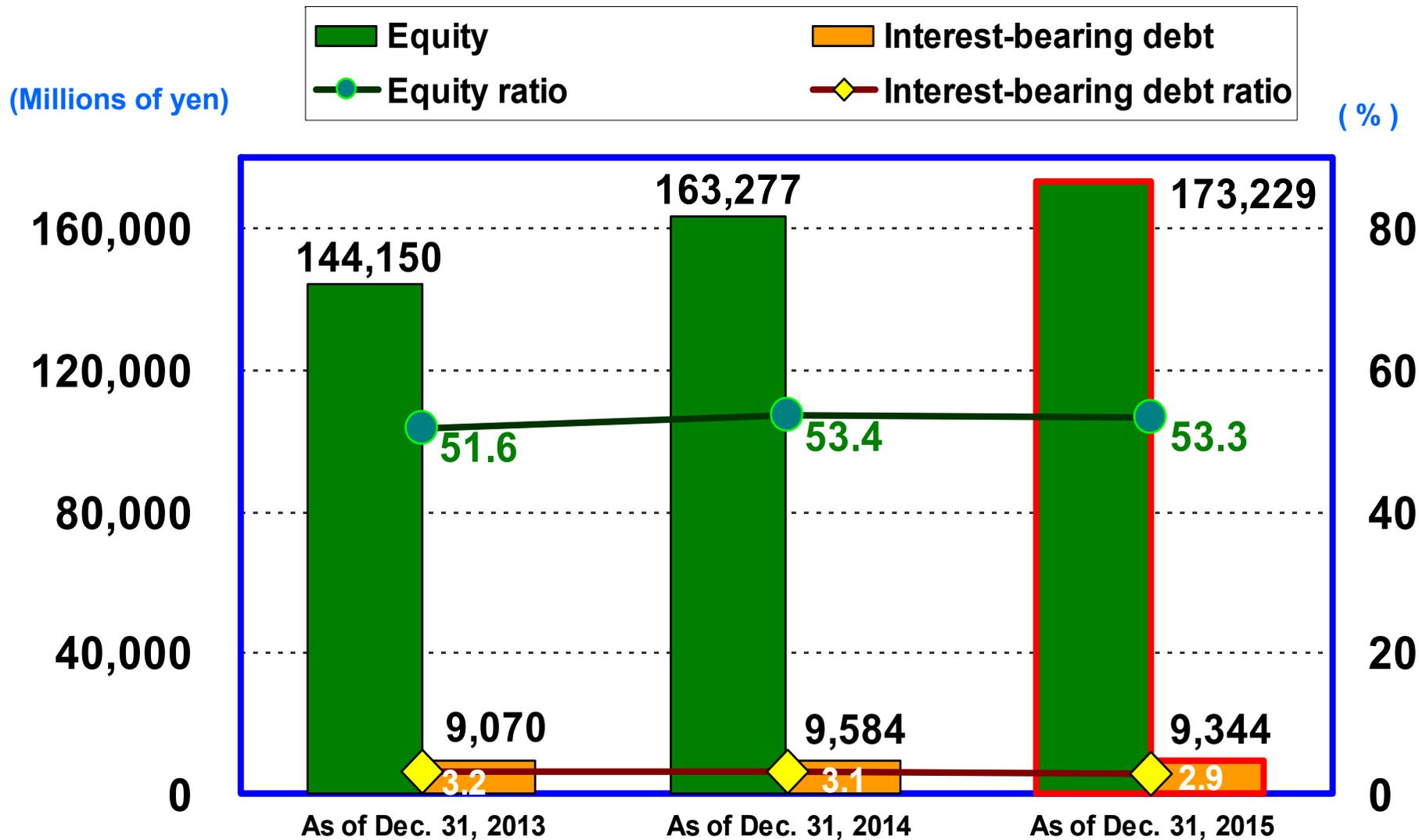
Sales breakdown by customers' type of industry

FY 2015



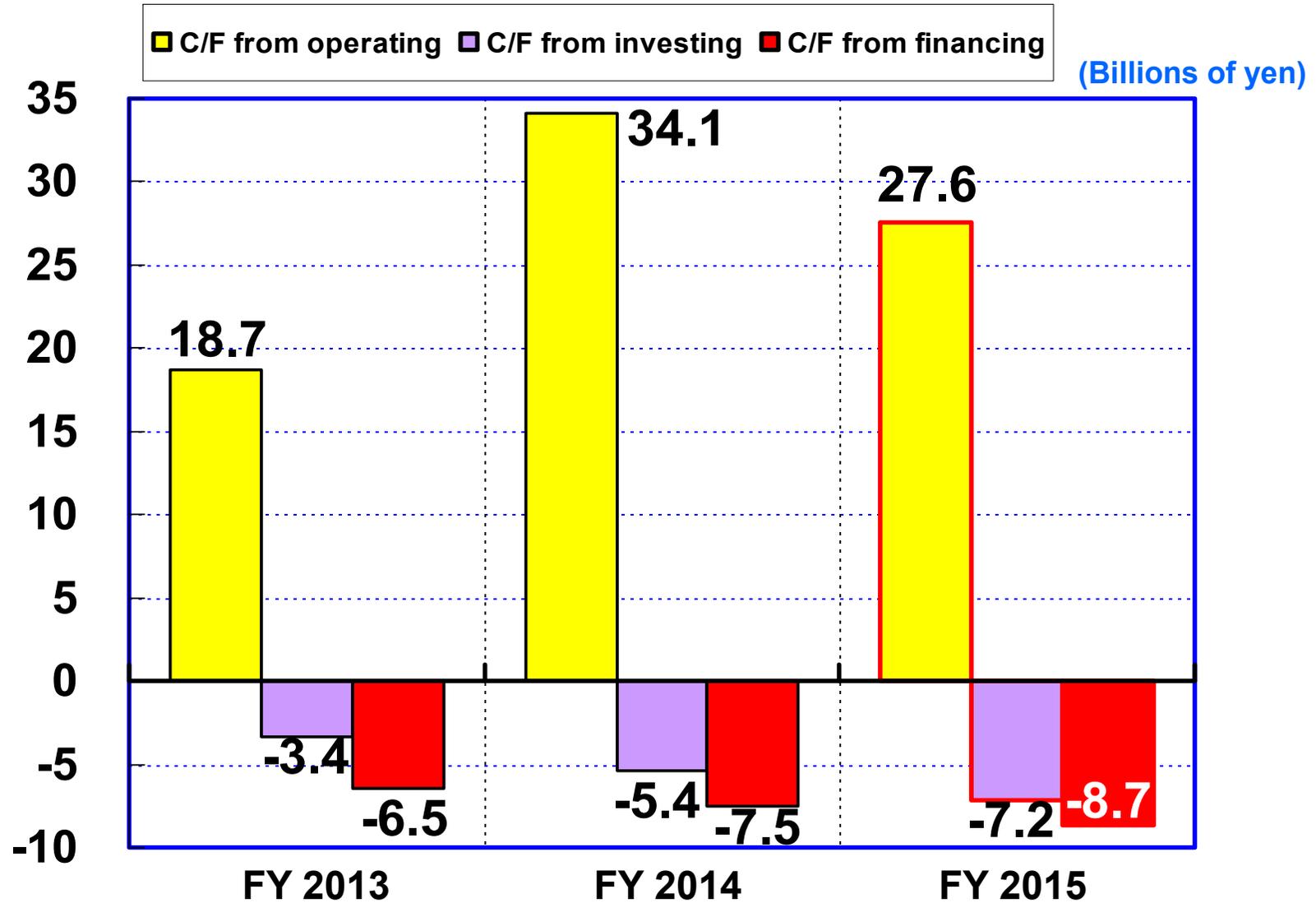
Consolidated

Equity and Interest-bearing debt



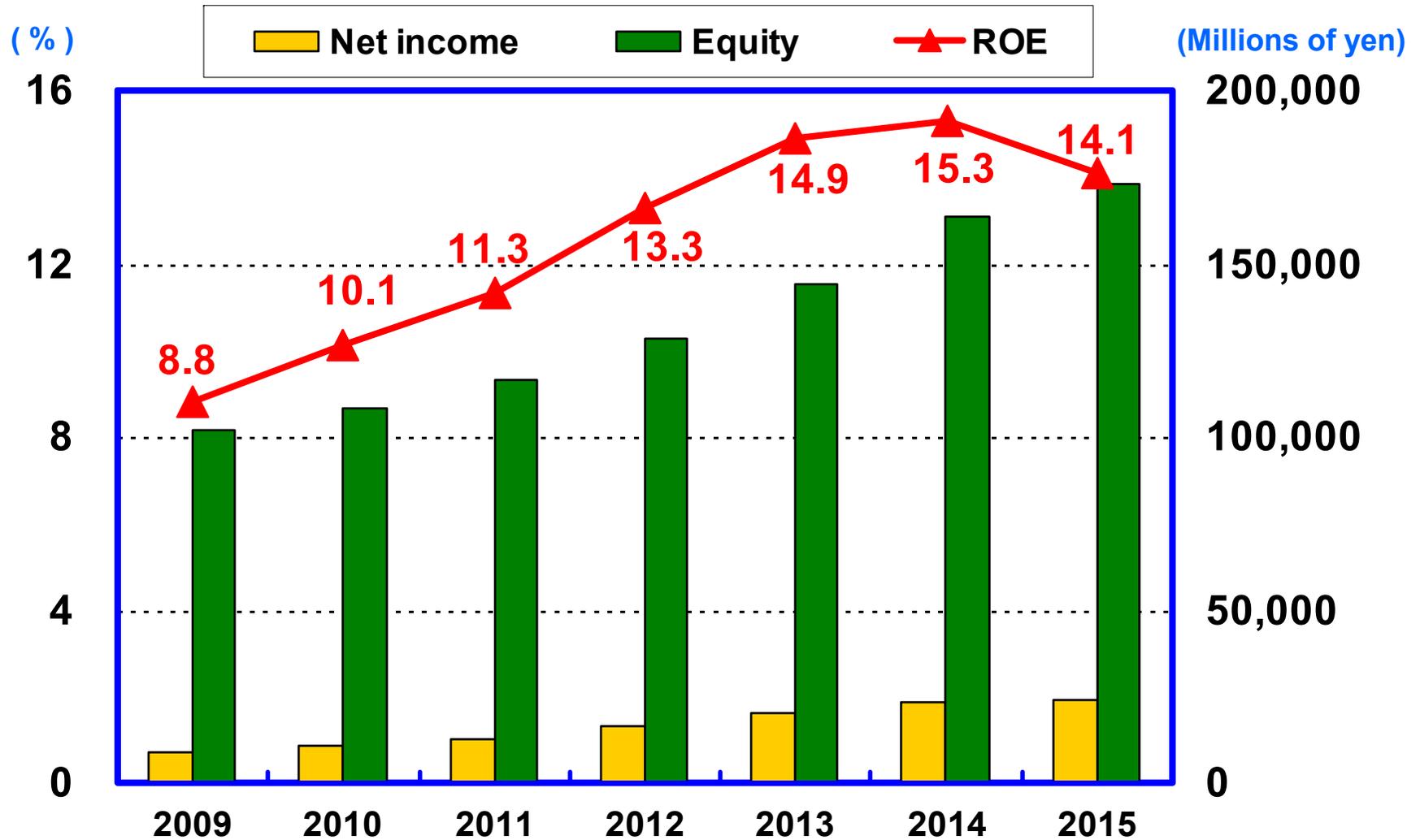
Consolidated

Cash flows



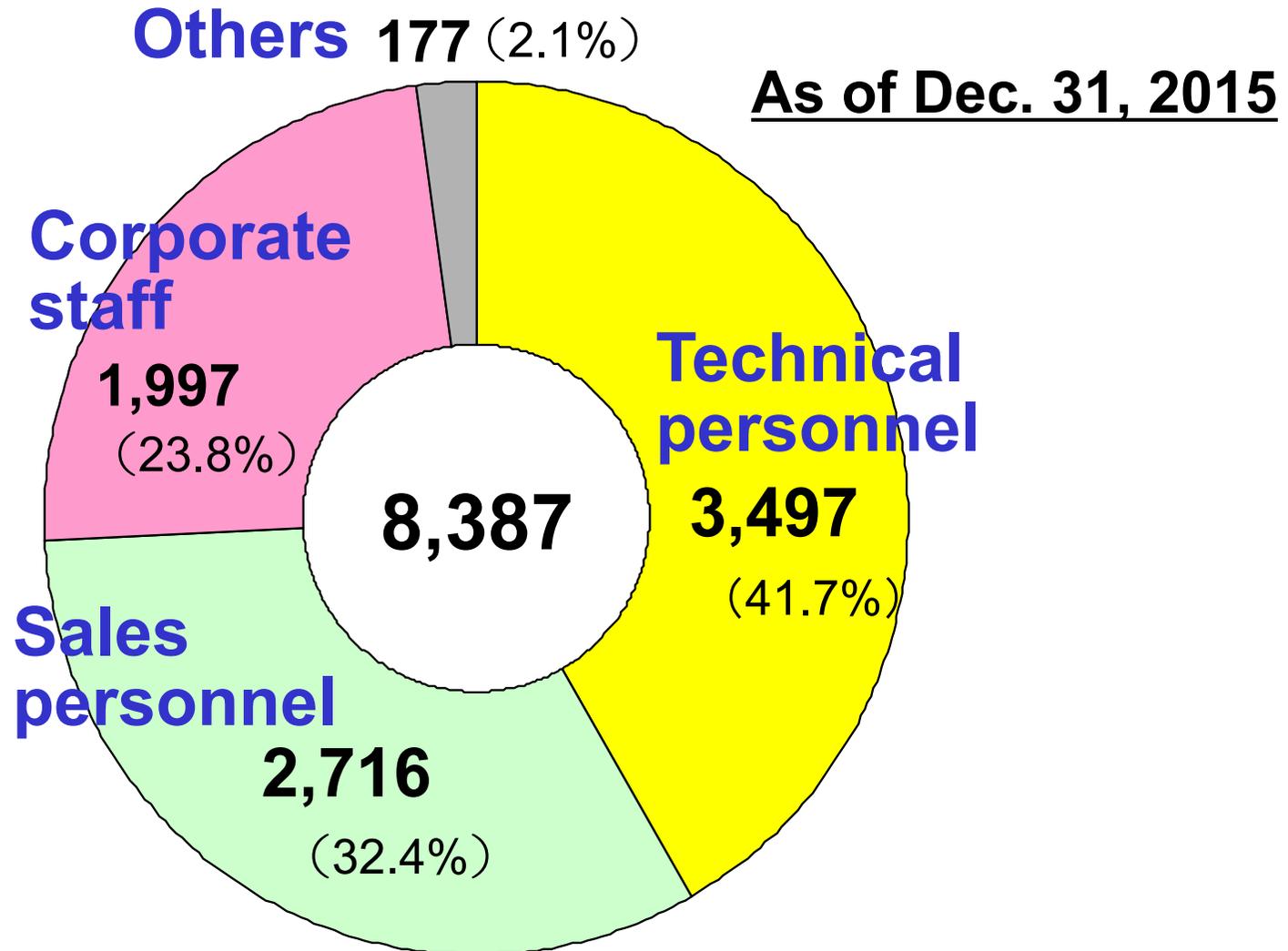
Consolidated

ROE



Consolidated

Personnel organization (regular employees)

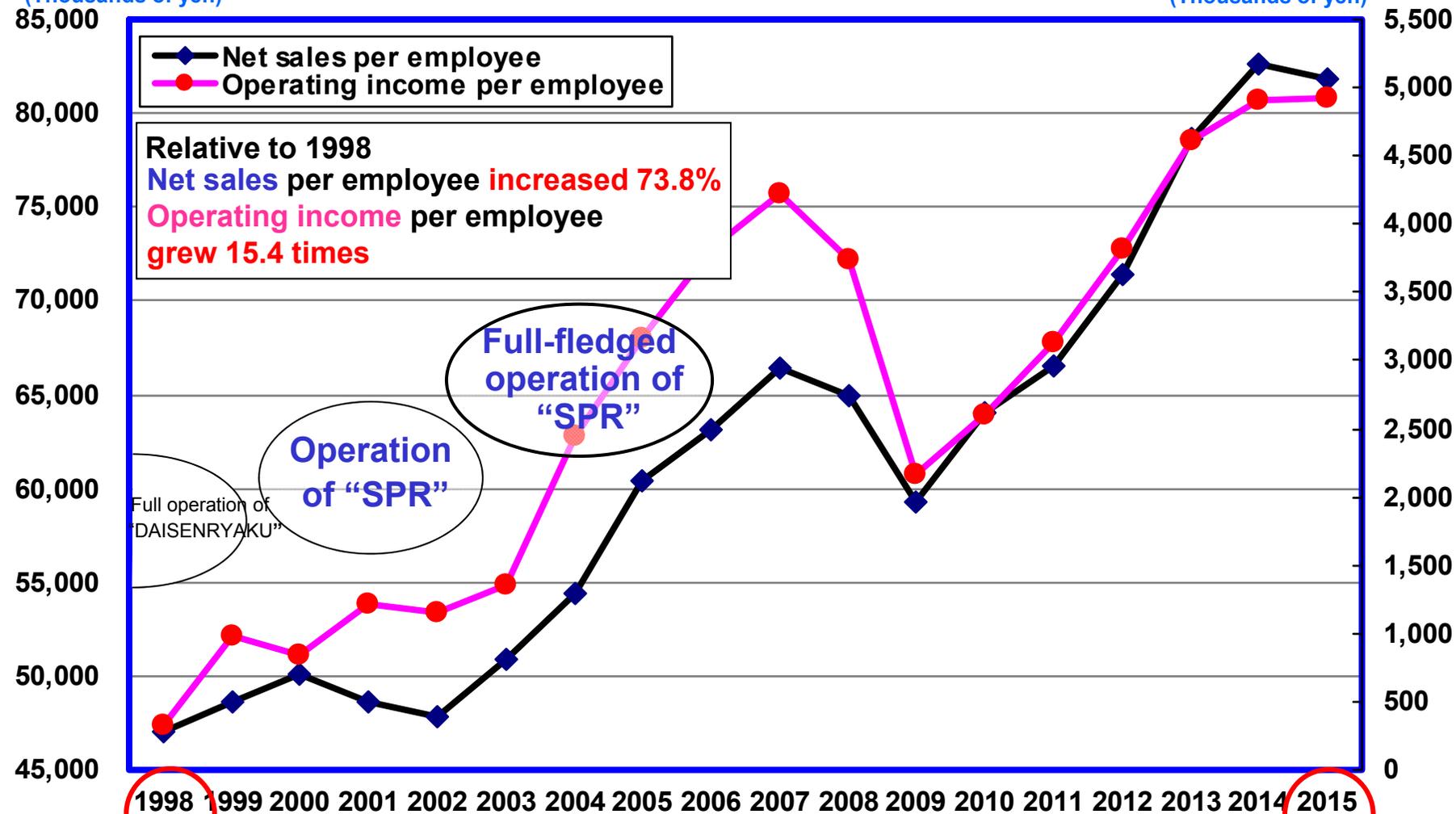


Non-Consolidated

Change of Net sales per employee and Operating income per employee

Net sales per employee
(Thousands of yen)

Operating income per employee
(Thousands of yen)



Number of employees

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

(Difference to last year, +79)



Key strategic business

<Amount of Sales>

(Millions of yen)

	2013 Jan. – Dec.	2014 Jan. – Dec.		2015 Jan. – Dec.			2015 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”	122,367	128,733	+5.2%	139,106	+10,373	+8.1%	36,668	+3,045	+9.1%
SMILE	11,061	11,673	+5.5%	10,479	-1,194	-10.2%	2,783	-149	-5.1%
ODS21	43,525	43,575	+0.1%	46,196	+2,620	+6.0%	11,652	+1,178	+11.3%
OSM	50,453	50,836	+0.8%	59,831	+8,995	+17.7%	15,767	+3,666	+30.3%

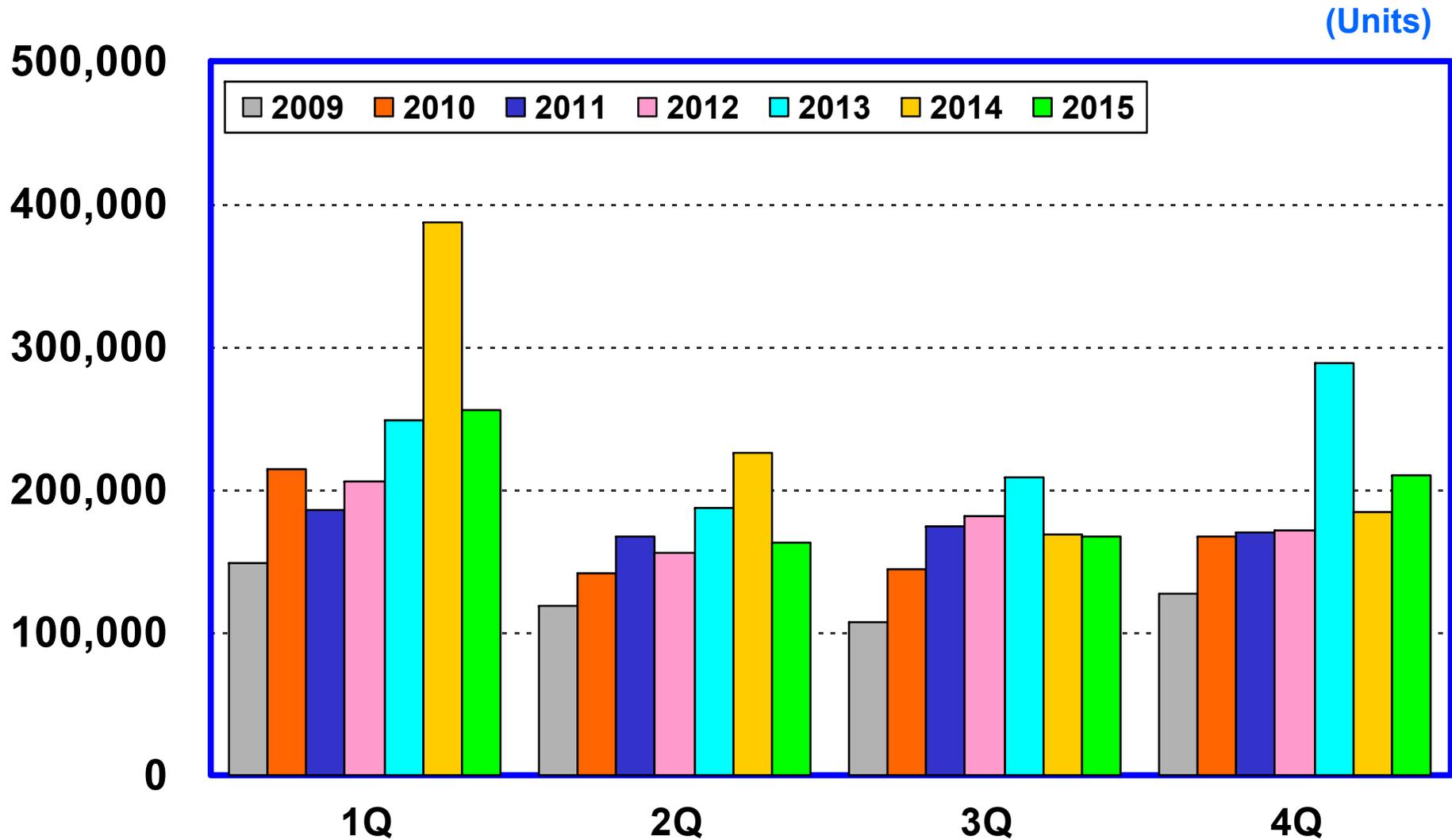
(ODS: Otsuka Document Solutions OSM: Otsuka Security Management)

<As reference: Number of Sales>

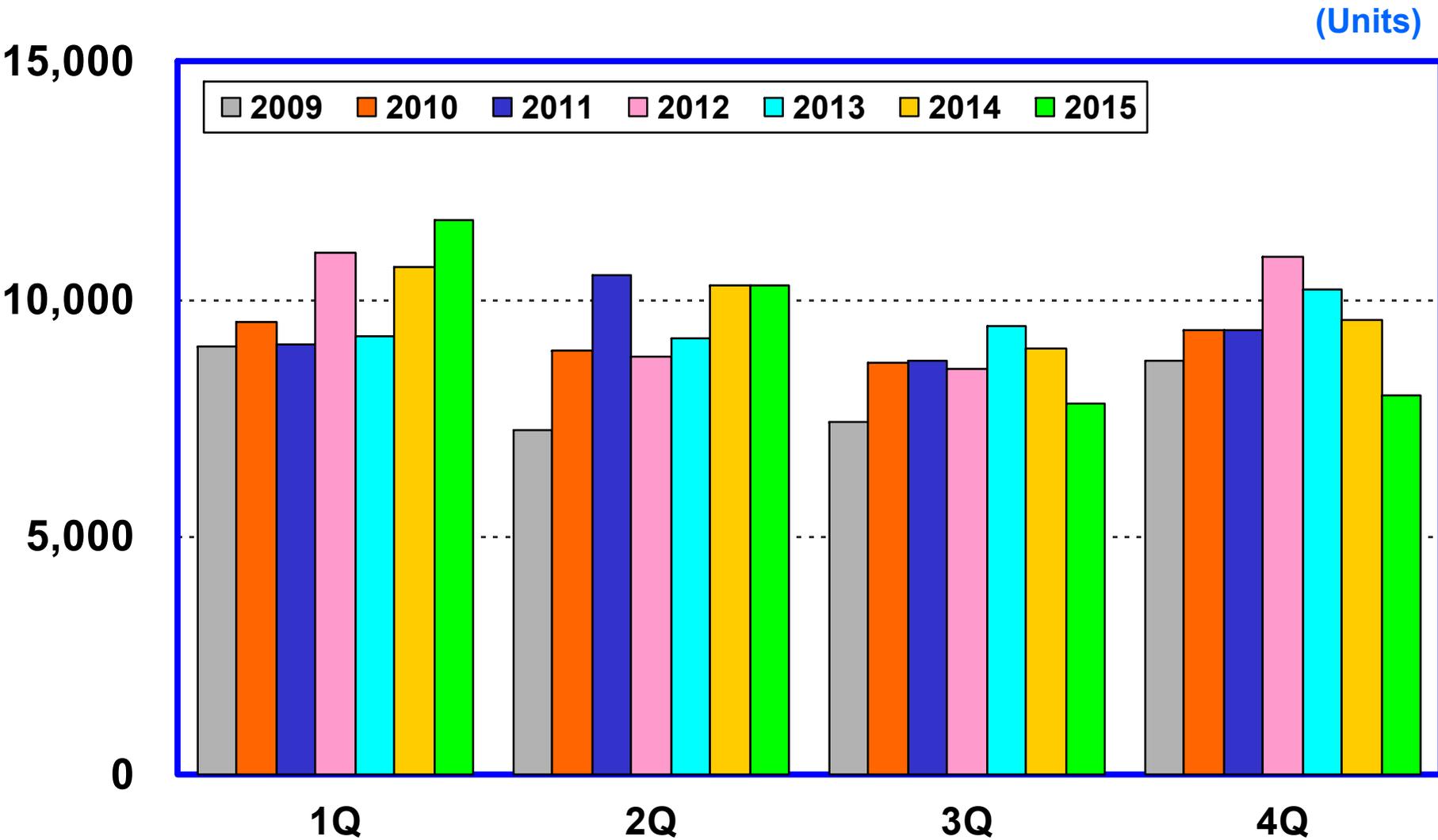
(Units)

Copier	34,432	37,392	+8.6%	41,384	+3,992	+10.7%	11,749	+1,996	+20.5%
(of which Color copier)	30,449	33,793	+11.0%	38,391	+4,598	+13.6%	10,986	+2,023	+22.6%
Server	37,989	39,467	+3.9%	37,718	-1,749	-4.4%	7,965	-1,573	-16.5%
PC	932,607	966,600	+3.6%	795,646	-170,954	-17.7%	209,683	+24,808	+13.4%
Client Total				847,320	-149,511	-15.0%	225,330	+32,520	+16.9%

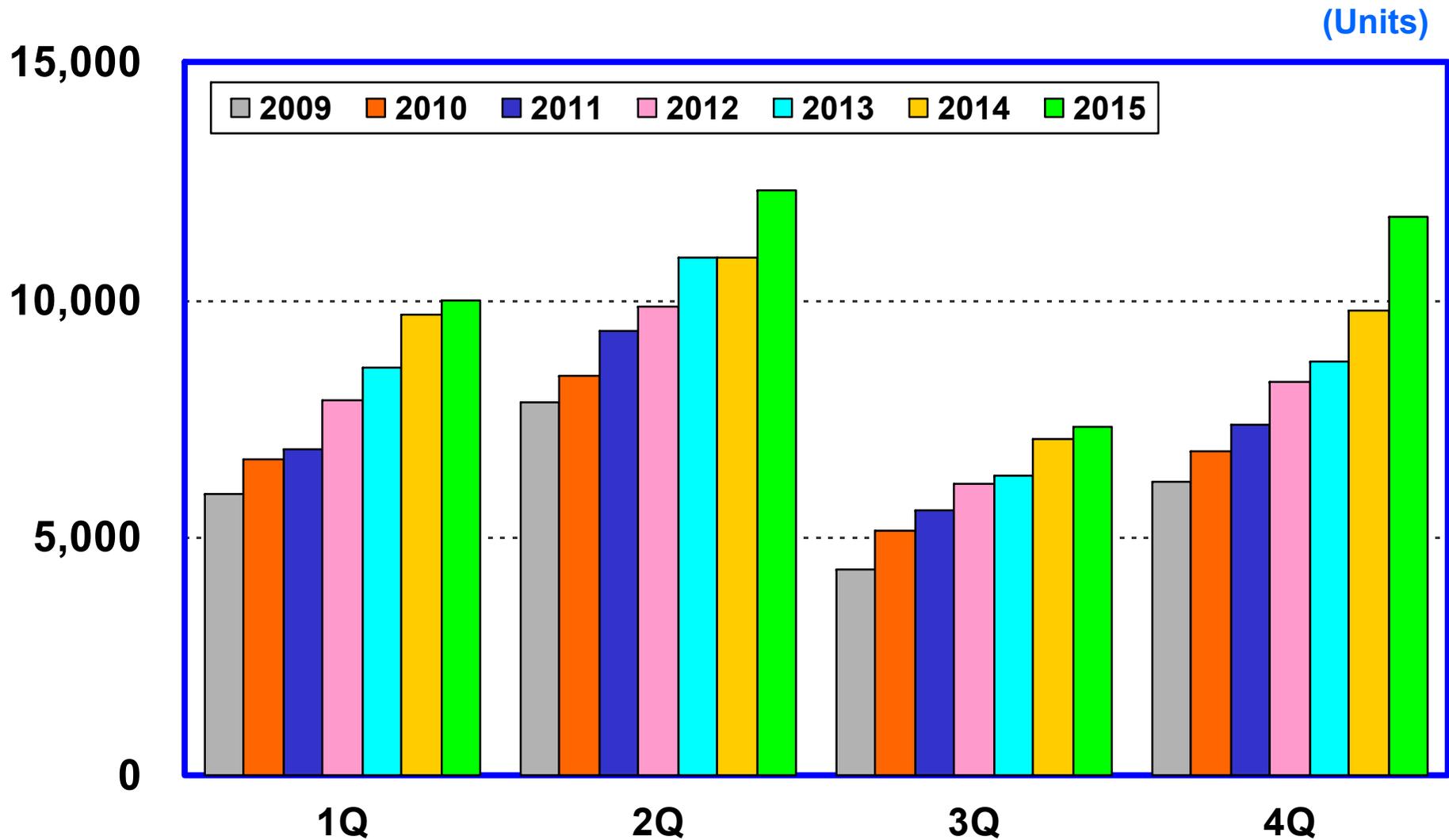
Quarterly Number of PCs Sold



Quarterly Number of Servers Sold



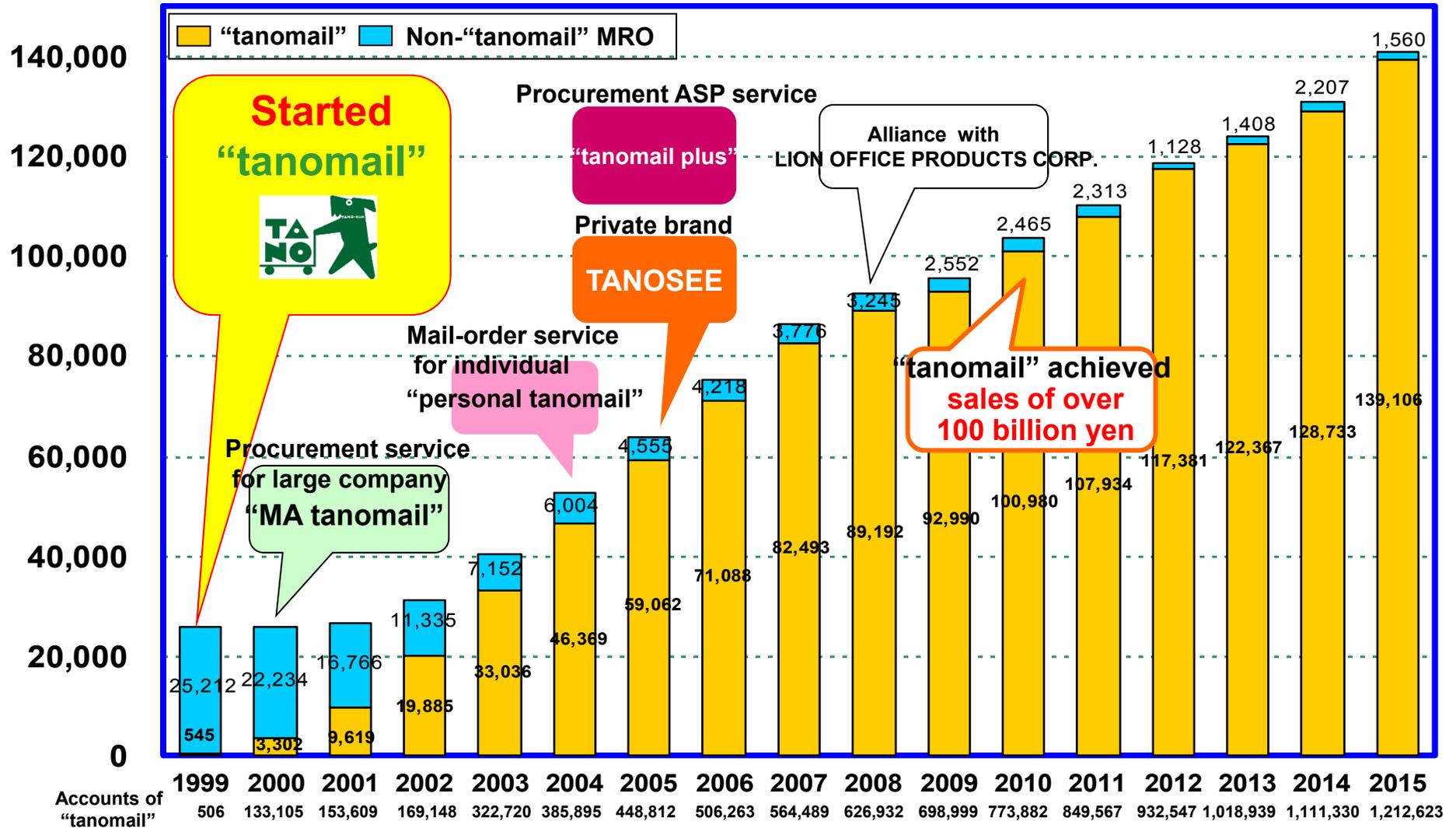
Quarterly Number of Copiers Sold



Non-Consolidated

Annual sales transition of "tanomail"

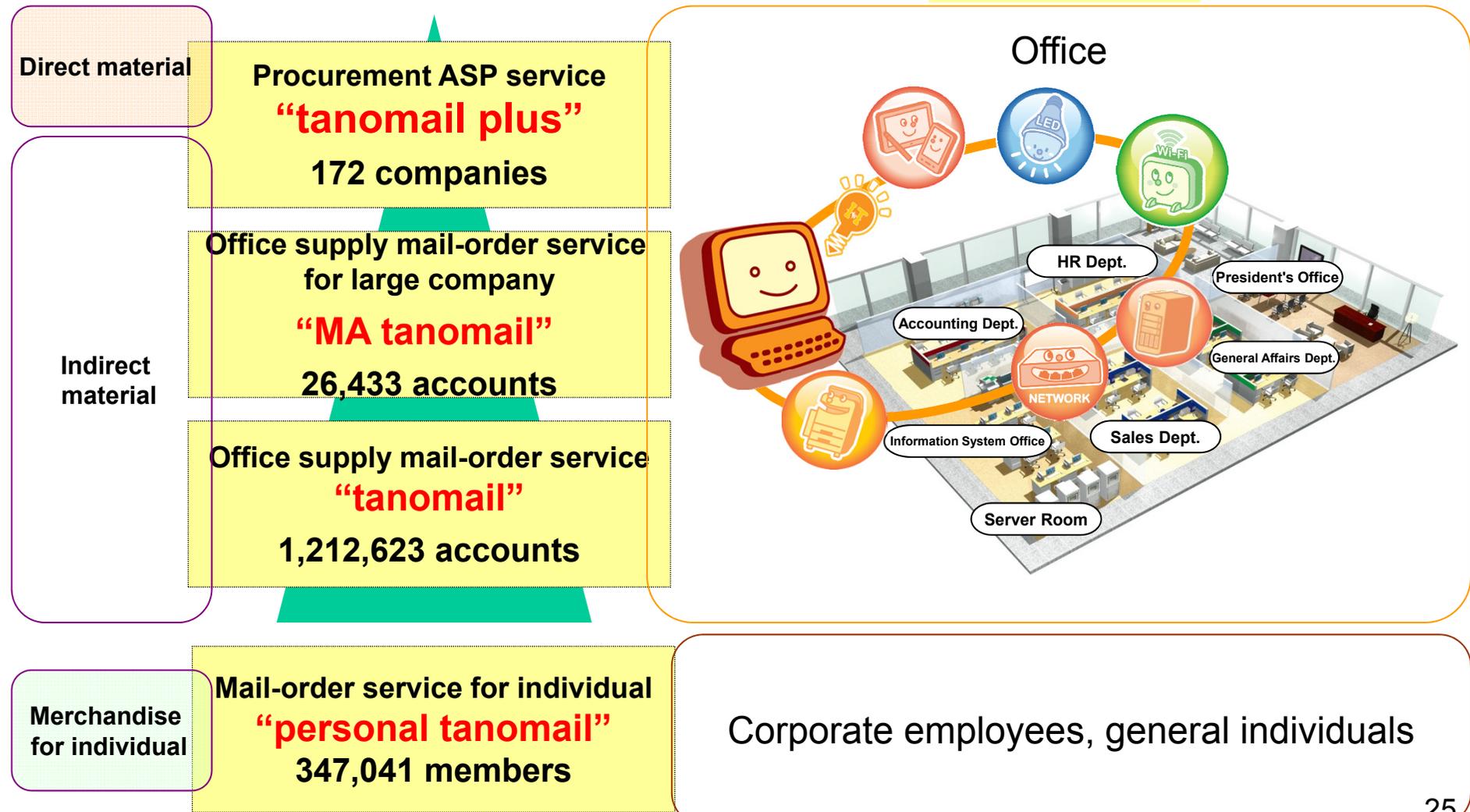
(Millions of yen)



Total support by OTSUKA CORPORATION

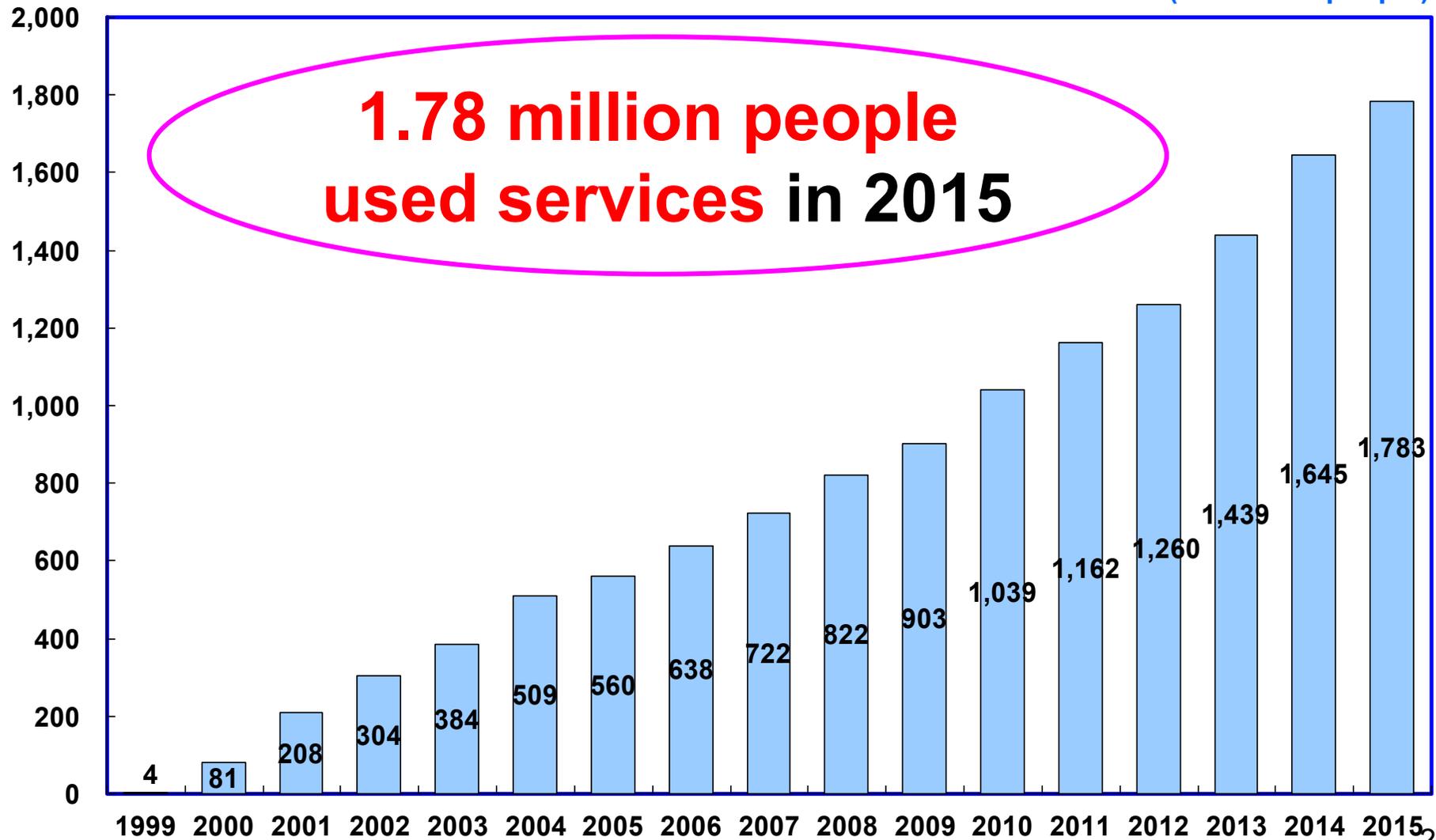
OTSUKA CORPORATION supports customers' procurement duties across the board

(As of Dec. 31, 2015)

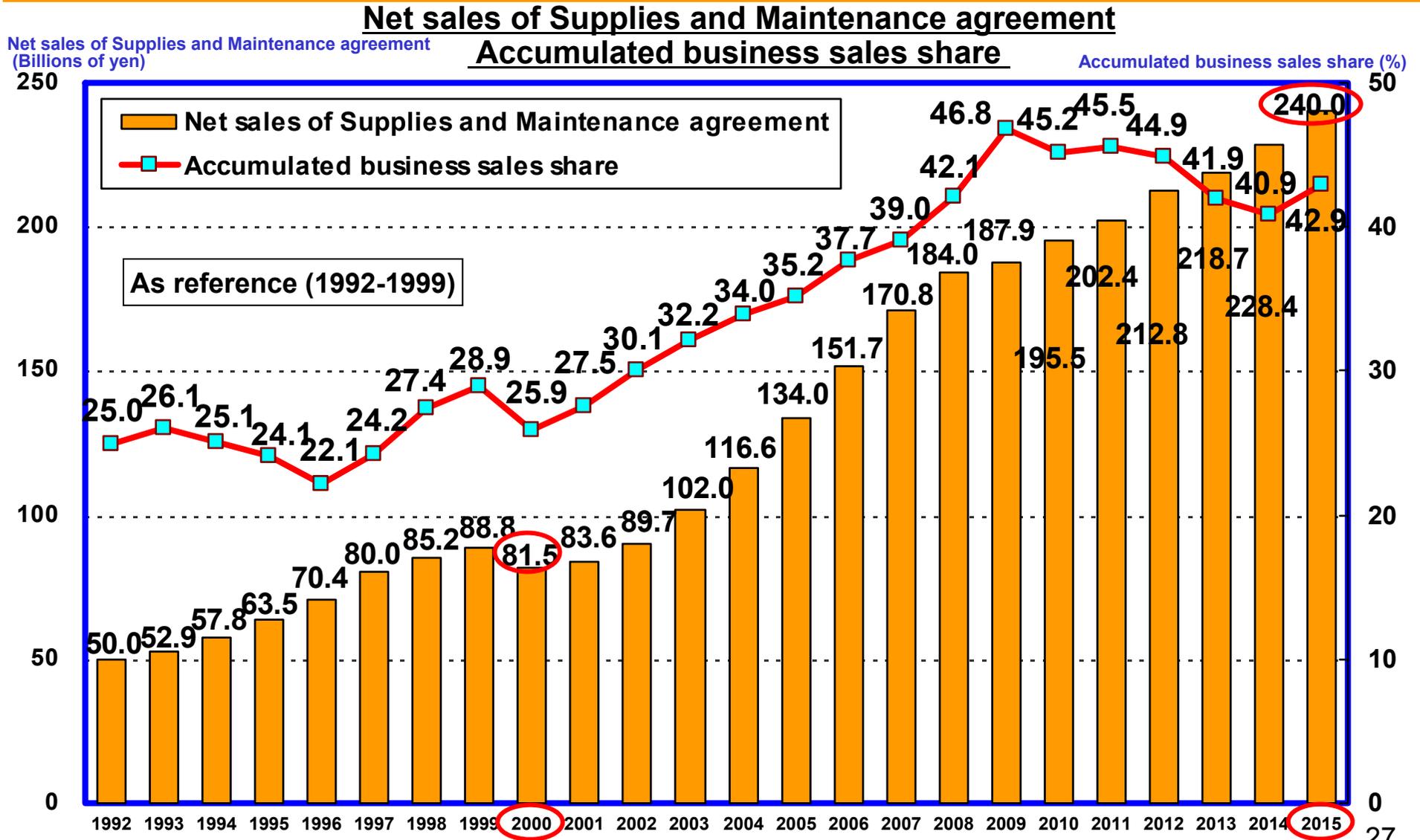


Number of Users of Main Web Services (ASP)

(Thousand people)



Growth of accumulated business



Future Plans

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**

Aim to achieve 7% in operating income to net sales ratio and ordinary income to net sales ratio

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

Market Forecast in 2016

- **Moderate growth in the Japanese economy despite uncertainty in the global economy**
- **Growing labor shortages**
- **Demand for raising productivity through aggressive IT investment**
- **Market expansion of tablet devices**
- **Upgrade to Windows 10 will be accelerated toward the end of free upgrade period**
- **Full-scale operation of the Social Security and Tax Number (“My Number”) System**
- **Response to introduction of reduced consumption tax rates**
- **Electricity liberalization**
- **Strong demand by companies for IT utilization and energy-saving**

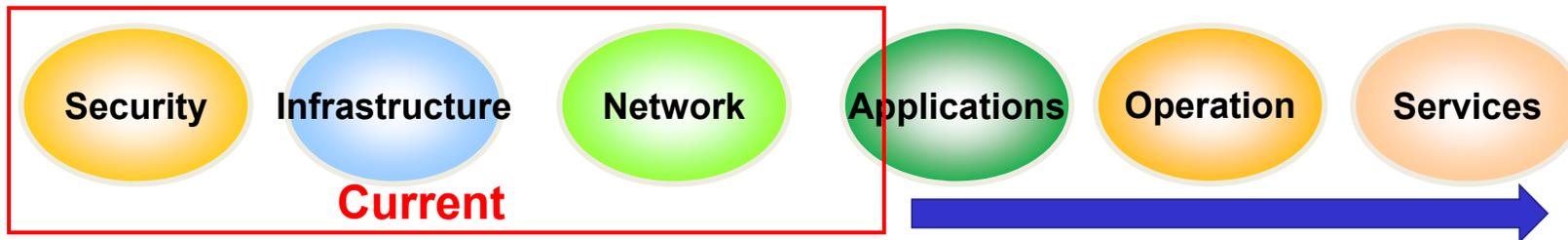
Policies and Measures in 2016

“Vitalize office with solutions and live up to customer trust”

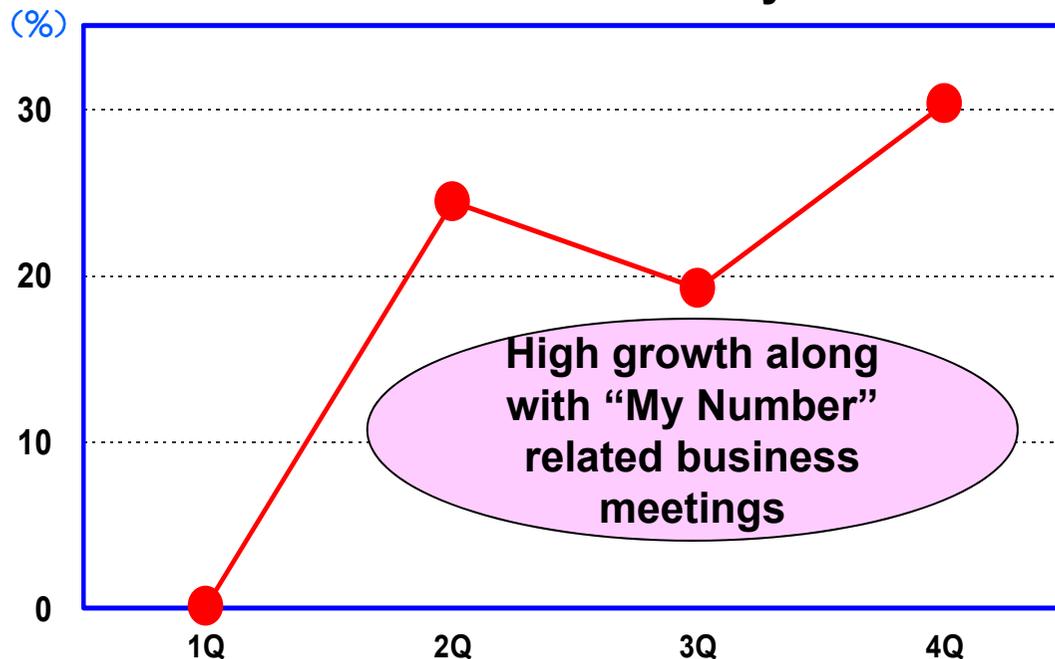
- **Proposal of solutions to enhance productivity and labor saving**
- **Expansion of business items with customers and cross-selling**
- **Proposal of client utilization focusing on tablet devices**
- **Strengthening of optical communication lines and network solutions**
- **Help customers respond to “My Number” or reduced consumption tax rates**
- **Measures to raise the level of performance such as “Virtual Manager”**

“My Number” Related Business

“My Number” response



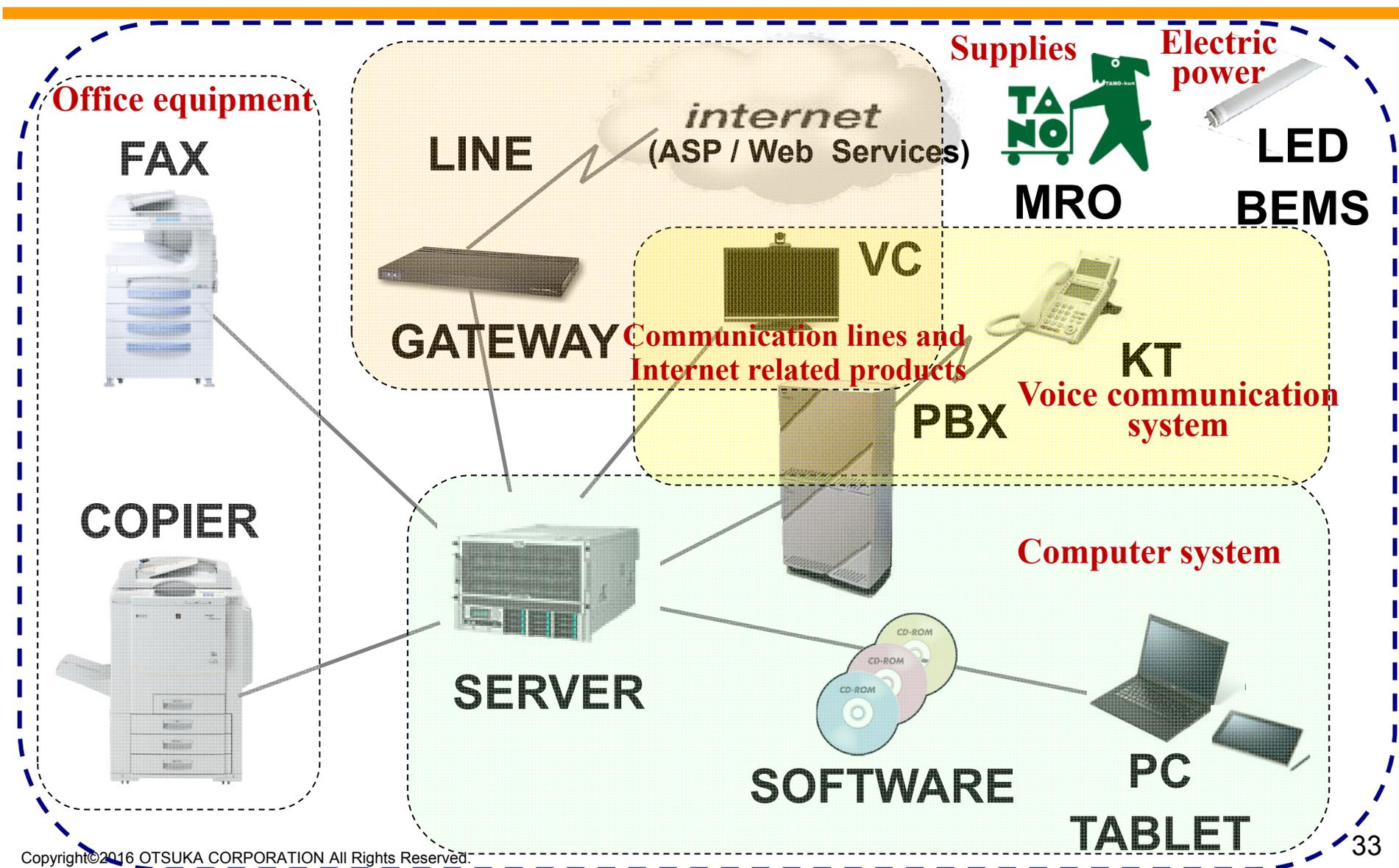
Growth rate of sales in security business



Full-scale operation going forward

- Administration of withholding on employment income
 - New employees
 - Administration of registering employment insurance
 - Administration of registering health insurance
 - Administration of registering employees pension insurance
- , etc.

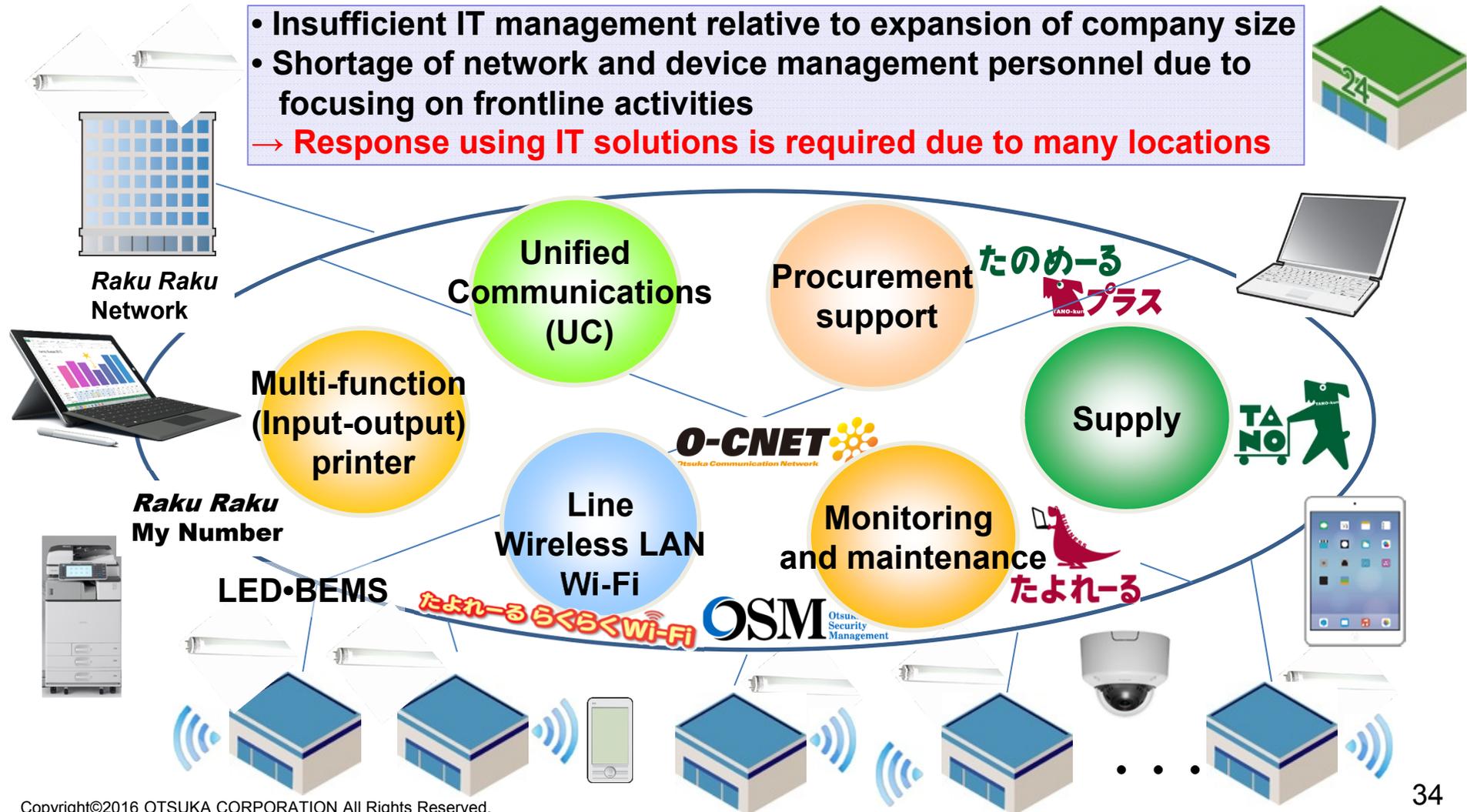
One-Stop Solution & Support



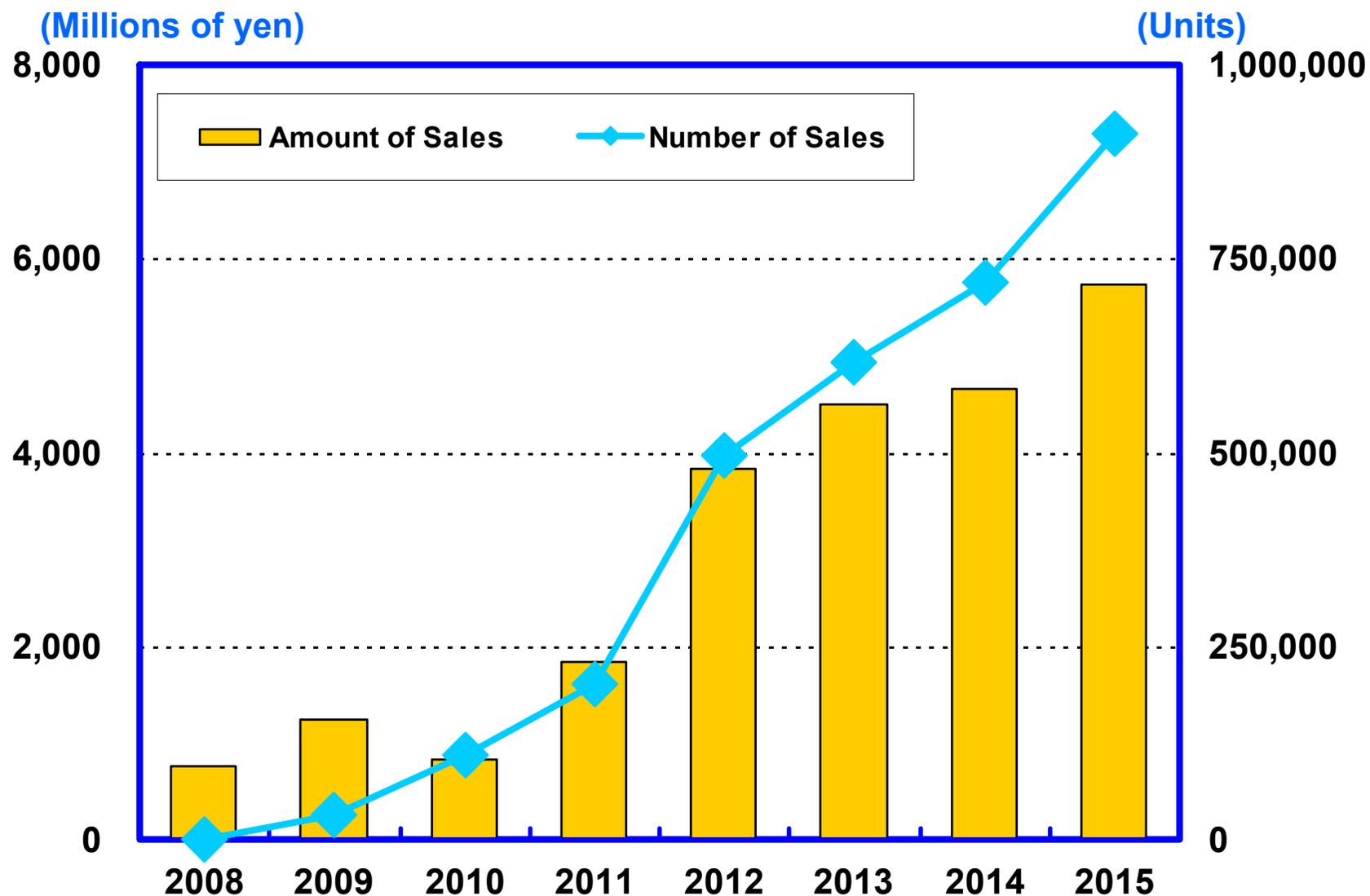
Initiatives for Companies with Multiple Stores or Multiple Locations

Set up, operate and support IT systems that support store and location management

- Insufficient IT management relative to expansion of company size
 - Shortage of network and device management personnel due to focusing on frontline activities
- **Response using IT solutions is required due to many locations**

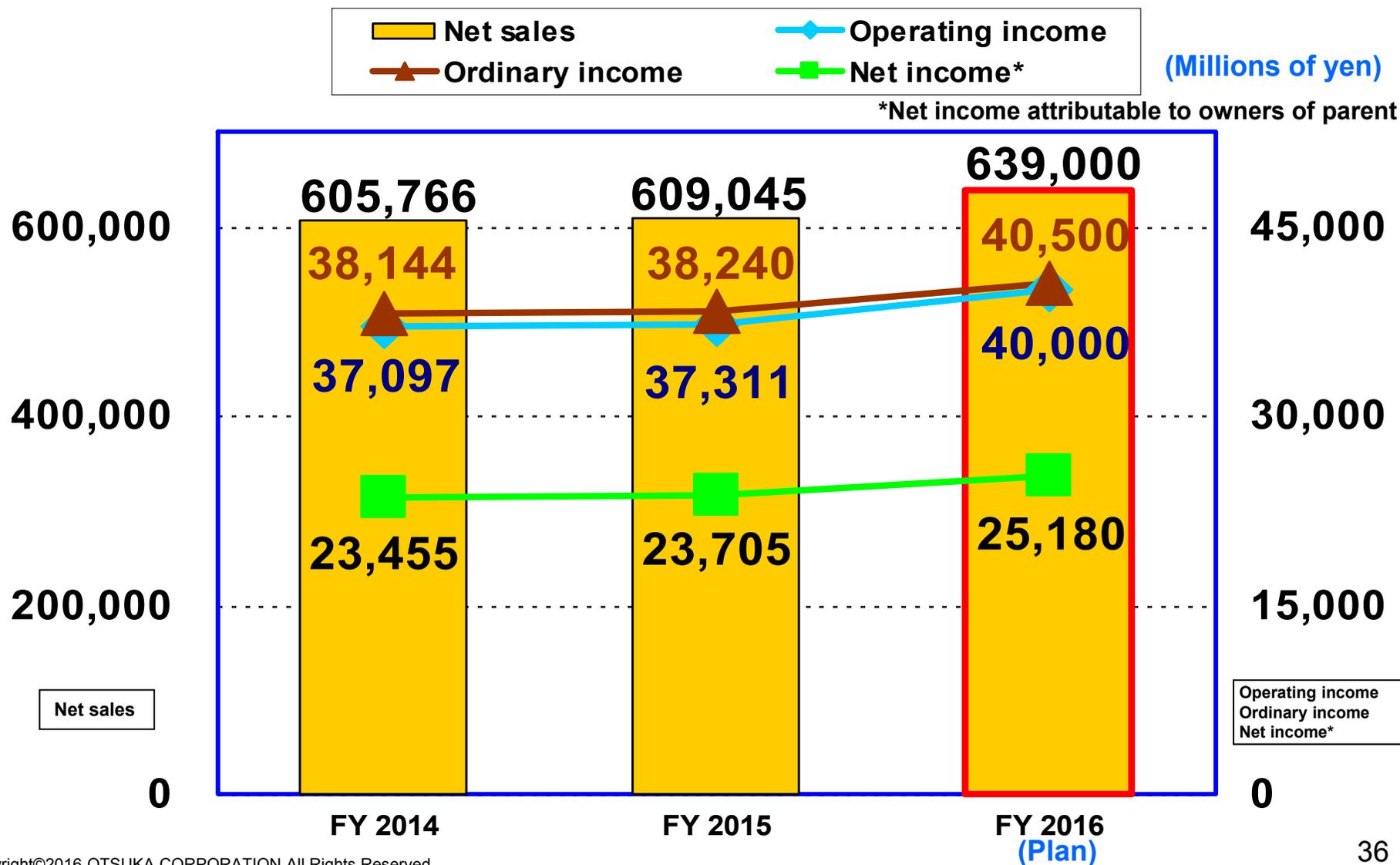


Sales Results of LED Lights



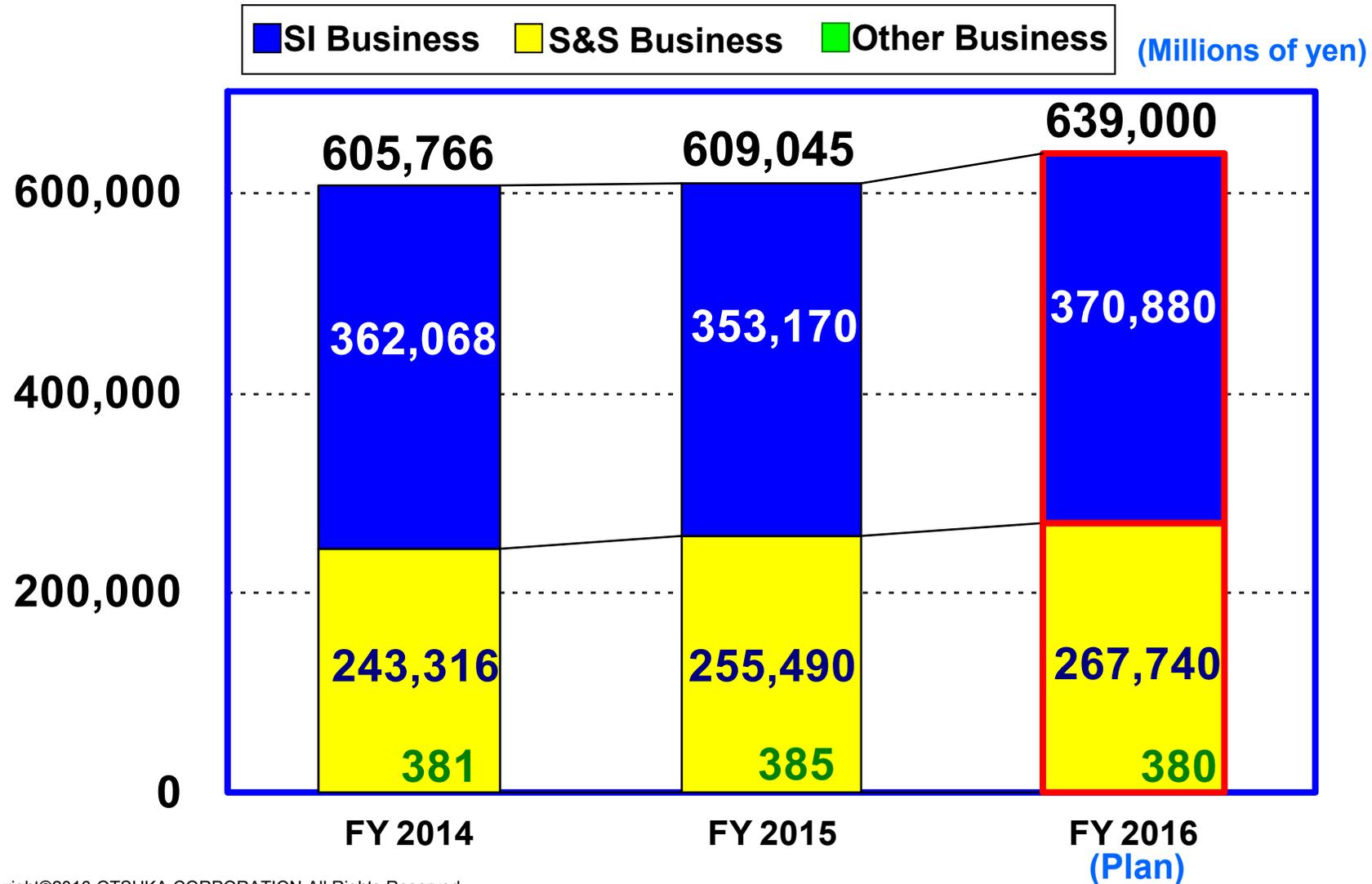
Consolidated

Plans of Net sales and profit

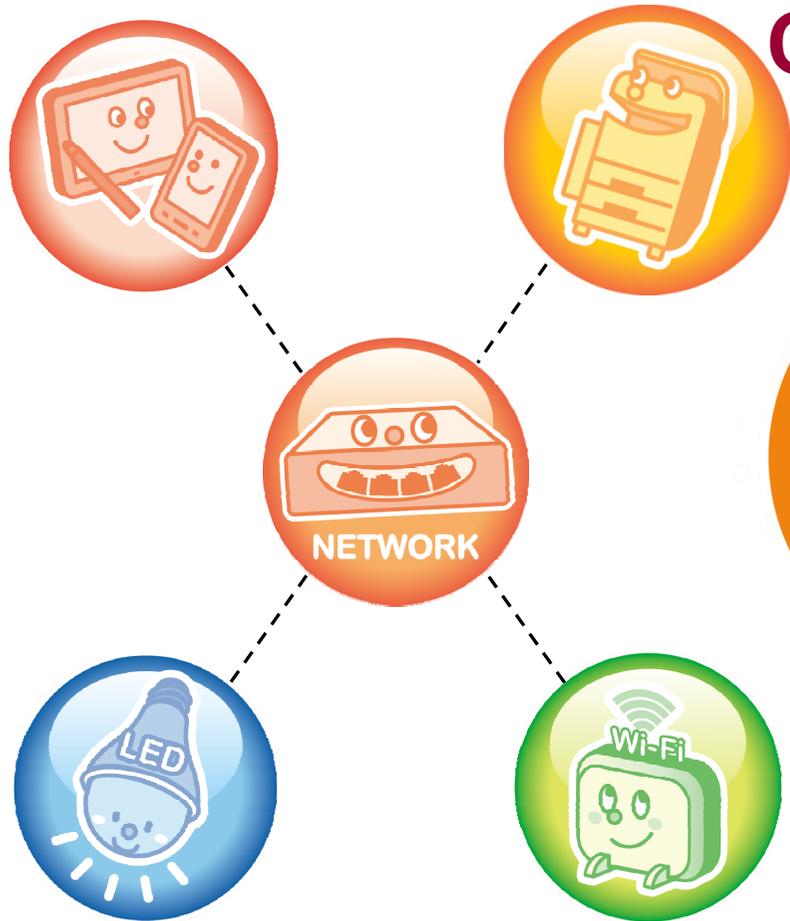


Consolidated

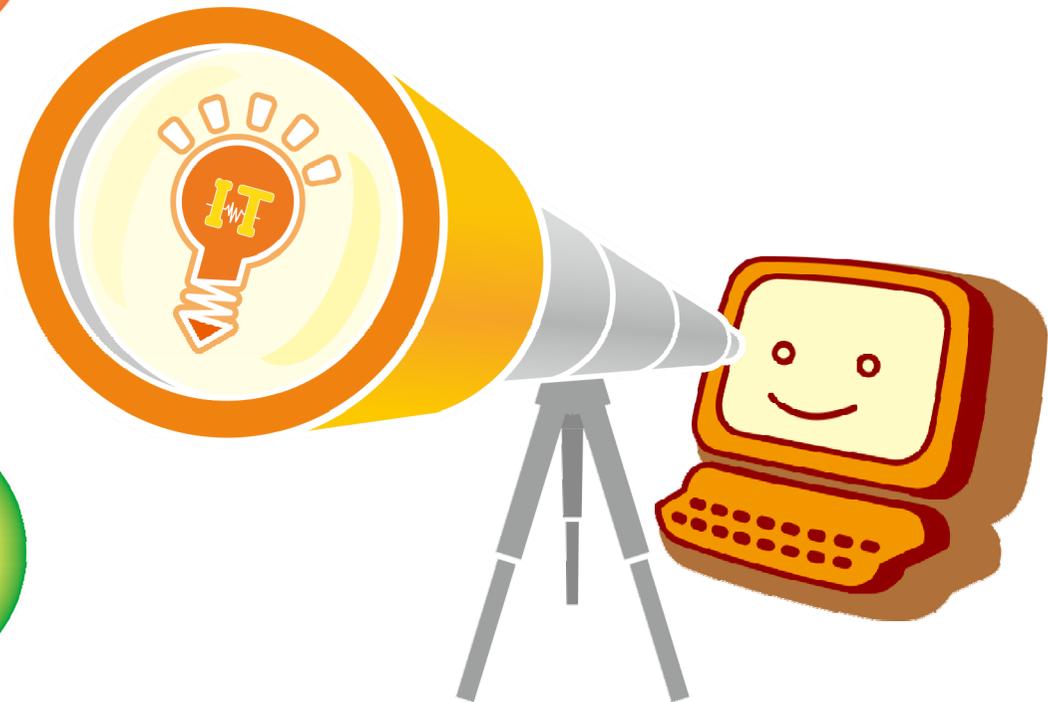
Plans of Net sales by segments



Jissen (Practical) Solution Fair 2016



**Connect it, and you will see
business expansion!**



**Dates : February 3 (Wed) – February 5 (Fri)
Venue: The Prince Park Tower Tokyo**



Cautionary statement

1. This material is intended to provide information about the business performance of fiscal year 2015 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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