

Overview of Consolidated Operations

■ Japanese Economy Sustains a Moderate Recovery

During the fiscal year under review (January 1, 2015 to December 31, 2015), the Japanese economy sustained a moderate recovery despite evident weakness in some areas.

Under these economic conditions, IT investments by domestic companies generally trended firmly amid a rebound in corporate earnings. Domestic unit sales of PCs continued a year-on-year decline due to a reactionary falloff in demand for replacement purchases for Windows XP. Nevertheless, there was also rising interest in responding to the Social Security and Tax Number (“My Number”) System and security countermeasures.

■ Added-value Combined Proposals

Within this environment, under the fiscal 2015 slogan “Live up to customer trust from a customer viewpoint and vitalize office with solutions,” the OTSUKA Group worked to ensure we can provide solutions leading to aggressive IT investment. To do so, we made added-value combined proposals that raise productivity, reduce costs and realize power savings to customers needing to respond to the Social Security and Tax Number (“My Number”) System and strengthen security, as well as to customers with the need to make IT investments aimed at strengthening competitiveness.

Moreover, we made efforts aimed at strengthening the accumulated business that included augmenting our line of appealing office supplies and developing a lineup of maintenance services that support improvements in productivity of corporate activities and reduce burdens.

**Recovery in corporate earnings
IT investments trending firmly**

**Raise productivity, reduce costs and
achieve power savings leading to
aggressive IT investment**

■ Sales and Profits Increase Just Slightly due to the Impact of Special Demand in the Previous Fiscal Year

As a result of the above measures and due to the impact of special demand in the previous year, net sales slightly increased 0.5% from the previous fiscal year to ¥609,045 million.

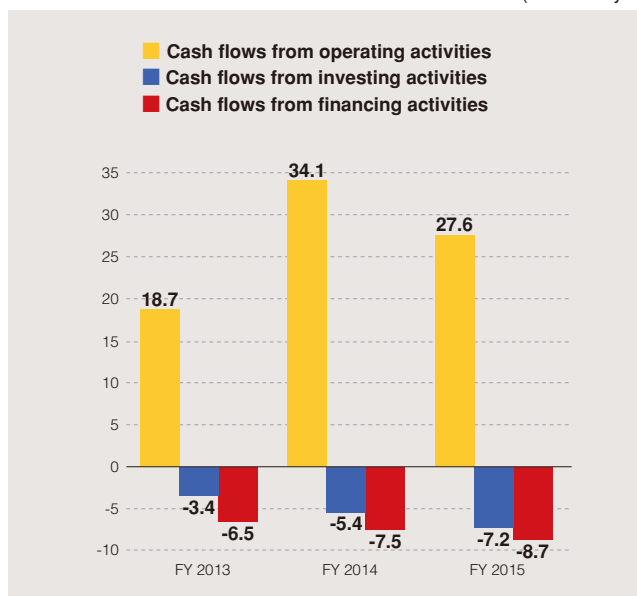
At the profit level, operating income rose 0.6% to ¥37,311 million. Ordinary income increased 0.3% to ¥38,240 million and net income was up 1.1% to ¥23,705 million.

(Millions of yen)

	FY 2014	FY 2015	
	Amount	Amount	Change to Last Year
Net sales	605,766	609,045	+0.5%
Operating income	37,097	37,311	+0.6%
Ordinary income	38,144	38,240	+0.3%
Net income	23,455	23,705	+1.1%

■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥27,621 million, a decrease of ¥6,508 million from the previous fiscal year due to an increase in notes and accounts receivable – trade.

Net cash used in investing activities amounted to ¥7,235 million, an increase of ¥1,825 million from the previous fiscal year due to the absence of proceeds from the liquidation of a subsidiary recorded in the previous fiscal year.

Net cash used in financing activities increased ¥1,162 million to ¥8,742 million due to an increase in cash dividends paid.

Overview of Results by Quarter

■ Net Sales

Net sales declined in the first quarter (January-March) of 2015 due to the impact of special demand in the previous year, but increased from the second quarter (April-June) of 2015 and onward.

Net sales in the first quarter (January-March) of 2015 amounted to ¥159,411 million, a 9.9% decrease from the previous first quarter. Net sales in the second quarter (April-June) of 2015 amounted to ¥158,522 million, an increase of 1.9% over the previous second quarter. Net sales in the third quarter (July-September) of 2015 amounted to ¥135,704 million, a 3.7% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2015 amounted to ¥155,408 million, an increase of 9.0% over the previous fourth quarter.

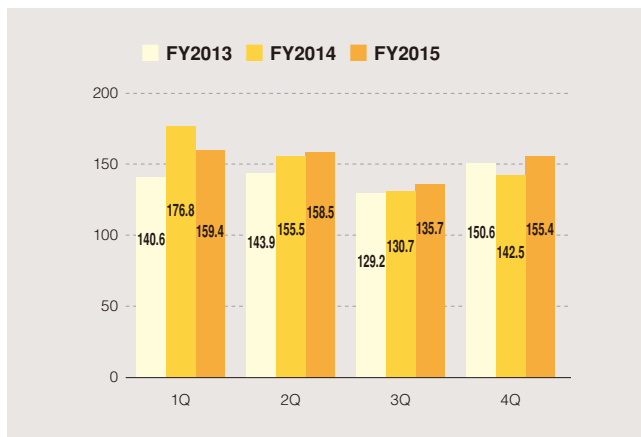
■ Ordinary Income

Ordinary income declined in the first quarter (January-March) of 2015 due to the impact of special demand in the previous year, but trended upward from the second quarter (April-June) of 2015 and onward.

Ordinary income in the first quarter (January-March) of 2015 amounted to ¥9,502 million, a decrease of 23.8% from the previous first quarter. Ordinary income in the second quarter (April-June) of 2015 amounted to ¥14,194 million, an increase of 15.1% from the previous second quarter. Ordinary income in the third quarter (July-September) of 2015 amounted to ¥4,900 million, an increase of 8.2% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2015 amounted to ¥9,642 million, up 9.3% from the previous fourth quarter.

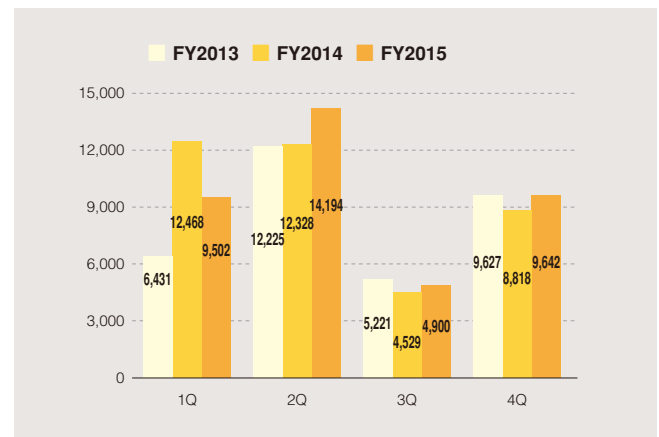
Quarterly Net Sales

(Billions of yen)



Quarterly Ordinary Income

(Millions of yen)



Overview of Business Segments

■ System Integration Business

The System Integration business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. We focused on solutions that spur demand for security measures and mobile devices, while in September, prior to the notification of personal identity numbers, we began providing the “Raku Raku My Number Handling System.” This system covers a series of administrative processes that include acquisition, storage, use and disposal. Although these initiatives underpinned growth in unit sales of copiers and tablet devices, net sales for the year in the System Integration business decreased 2.5% to ¥353,170 million due in part to the impact of special demand in the previous fiscal year.

■ Service and Support Business

The Service and Support business provides customers with total service and support for their business operations and installed systems encompassing supplies, hardware and software maintenance, telephone support and outsourcing. We renewed the website for our “tanomail” office supply mail-order service business to increase sales opportunities and implemented price increases for some products in conjunction with a steep rise in the costs of raw materials. In September, we significantly expanded the number of “packages, tools and work supplies” handled to approximately 100,000 items.

In the maintenance business, we commenced the “tayoreru hikari” optic fiber broadband service for companies and strengthened our “Raku Raku Solution Series,” an outsourcing service for IT operations management. As a result, net sales in the Service and Support business rose 5.0% to ¥255,490 million.

■ Other Business

In the Other Business, net sales increased 1.1% from the previous fiscal year to ¥385 million.

Net Sales by Segments

(Millions of yen)

