



# **Business Results**

**for the fiscal year ended December 31, 2014**

**February 2, 2015**

**OTSUKA CORPORATION**

**Yuji Otsuka, President**

# Summary of Business Results, January – December, 2014

(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>605,766</b>	<b>101.0%</b>	<b>+7.3%</b>	<b>558,450</b>	<b>100.4%</b>	<b>+7.1%</b>
<b>Operating income</b>	<b>37,097</b>	<b>100.3%</b>	<b>+9.4%</b>	<b>33,196</b>	<b>98.2%</b>	<b>+8.6%</b>
<b>Ordinary income</b>	<b>38,144</b>	<b>101.7%</b>	<b>+13.8%</b>	<b>34,293</b>	<b>99.1%</b>	<b>+8.8%</b>
<b>Net income</b>	<b>23,455</b>	<b>106.7%</b>	<b>+15.7%</b>	<b>21,397</b>	<b>103.7%</b>	<b>+8.6%</b>

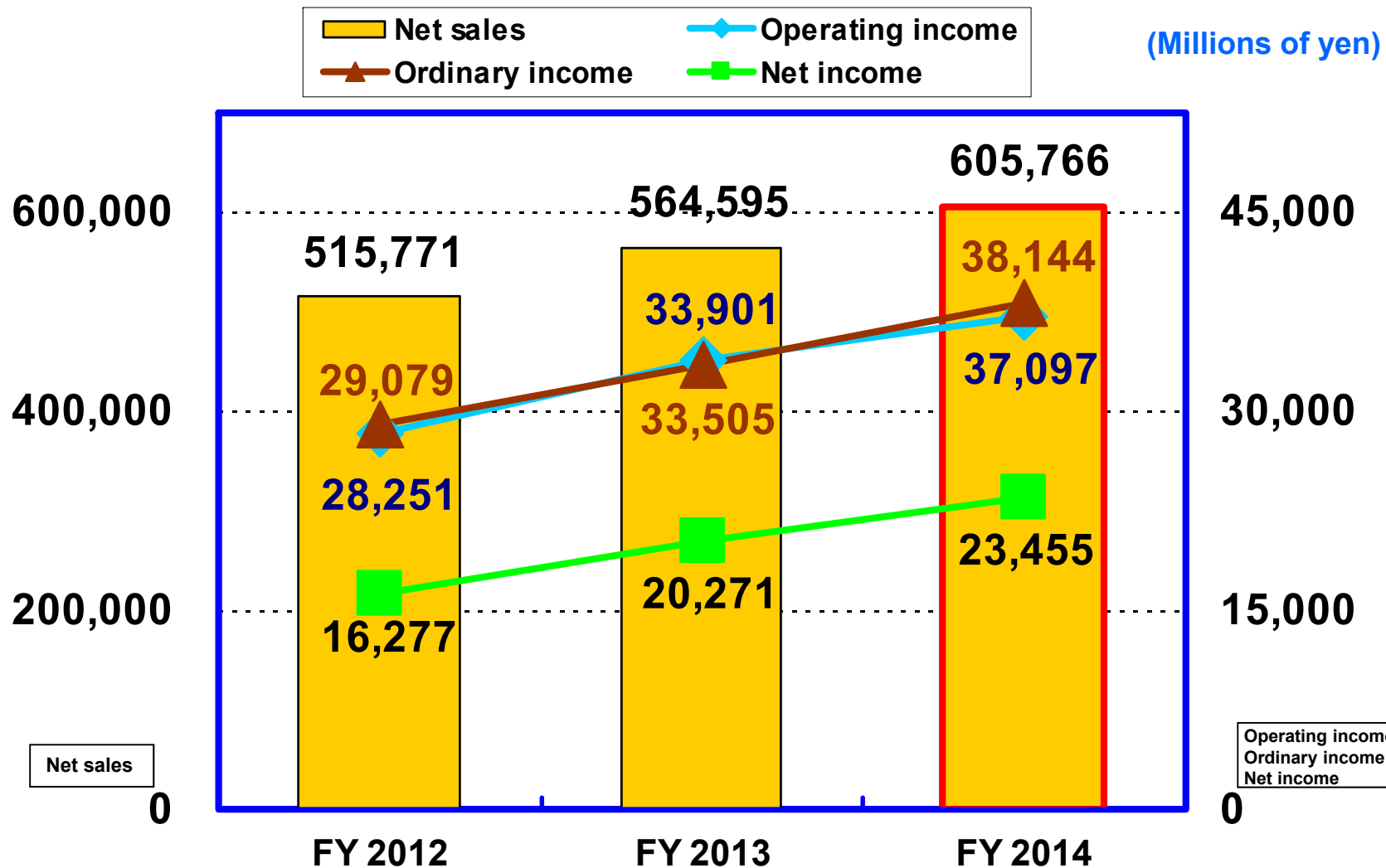
\* According to revised plan as of April 28, 2014

# Consolidated subsidiaries

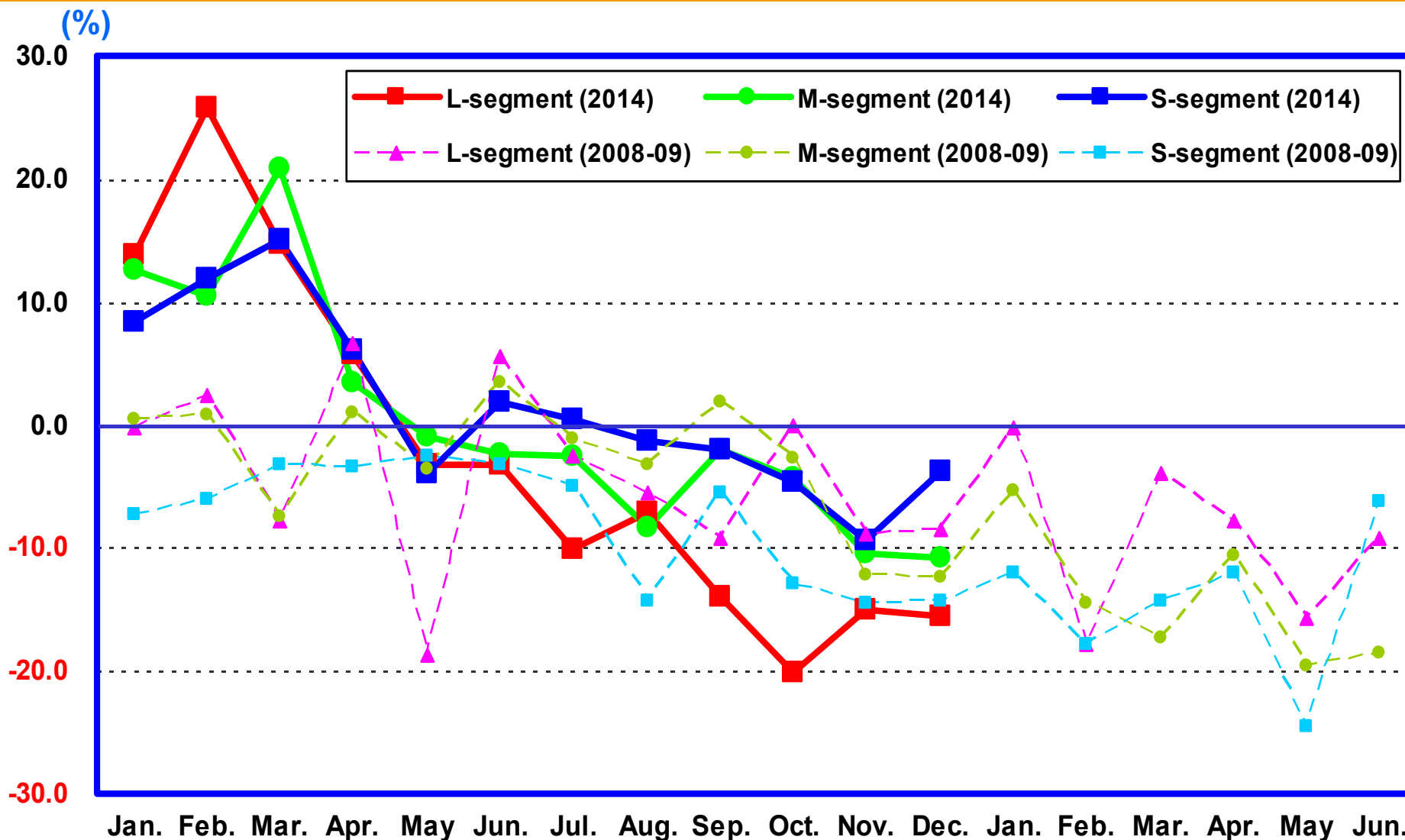
Segment	Company name	Business domain	Number of employees	FY 2014 Net sales (Millions of yen)
S I	OSK Co., LTD.	Development and sale of packaged software	242	6,829
	Alpha System Co., LTD.	Consigned software development and ERP consulting business	166	1,966
	Net World Corporation	Sales and technology support for network-related equipment	355	65,776
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	318	4,560
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	373	7,671
Others	Otsuka Auto Service Co., Ltd	Maintenance and body work for automobiles, and commissioned sales of insurance	24	522

Consolidated

# Net sales and Profits



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



# Expansion of customer base

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Number of **companies** newly registered

2012		2013		2014
30,000	→	35,000	→	<b>41,000</b>

Number of **accounts** newly registered

2012		2013		2014
112,000	→	128,000	→	<b>126,000</b>

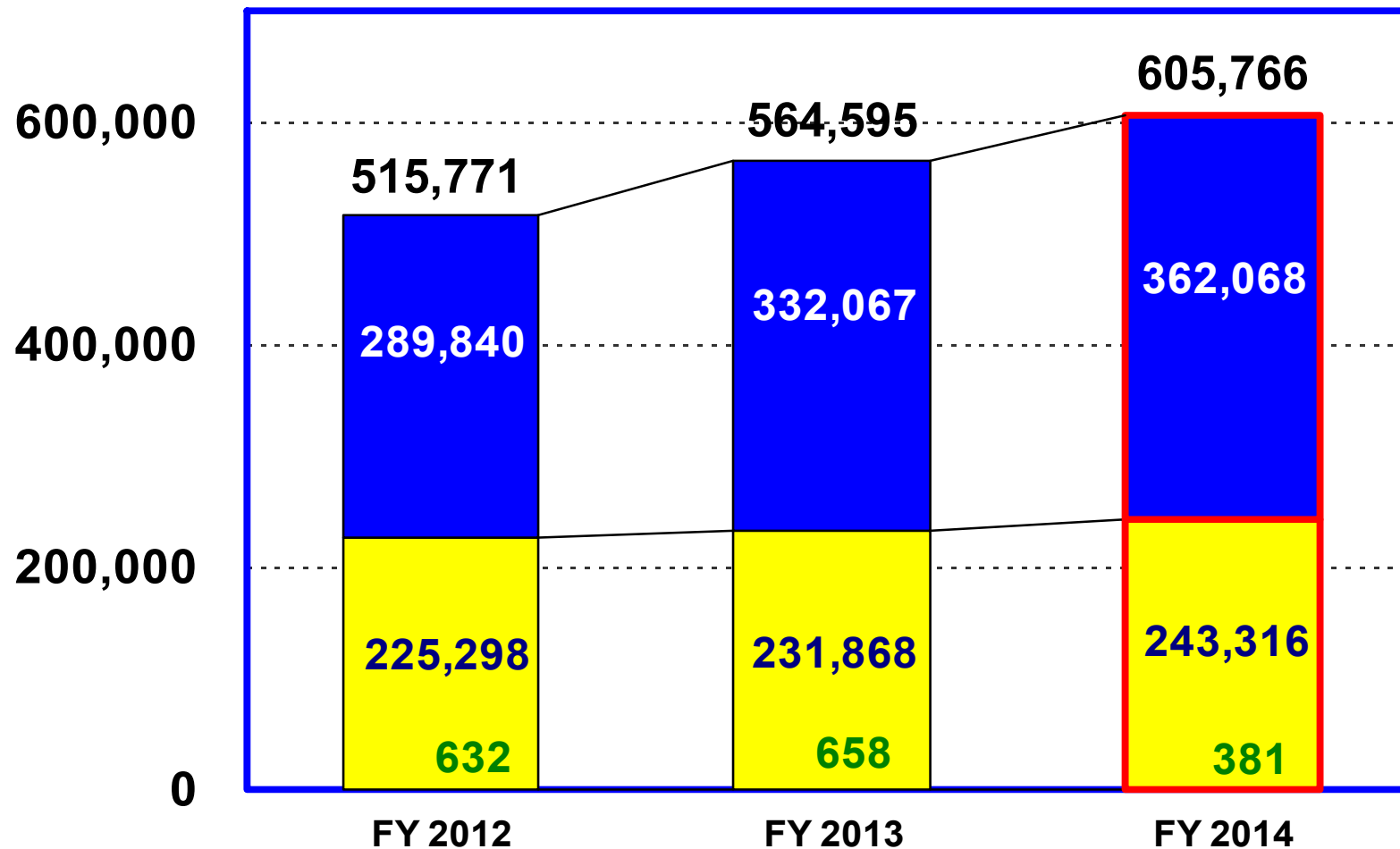
**New customers are steadily increasing**

Consolidated

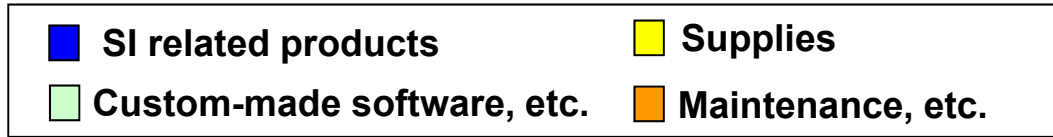
# Net sales by segments

■ SI business   ■ S&S business   ■ Other business

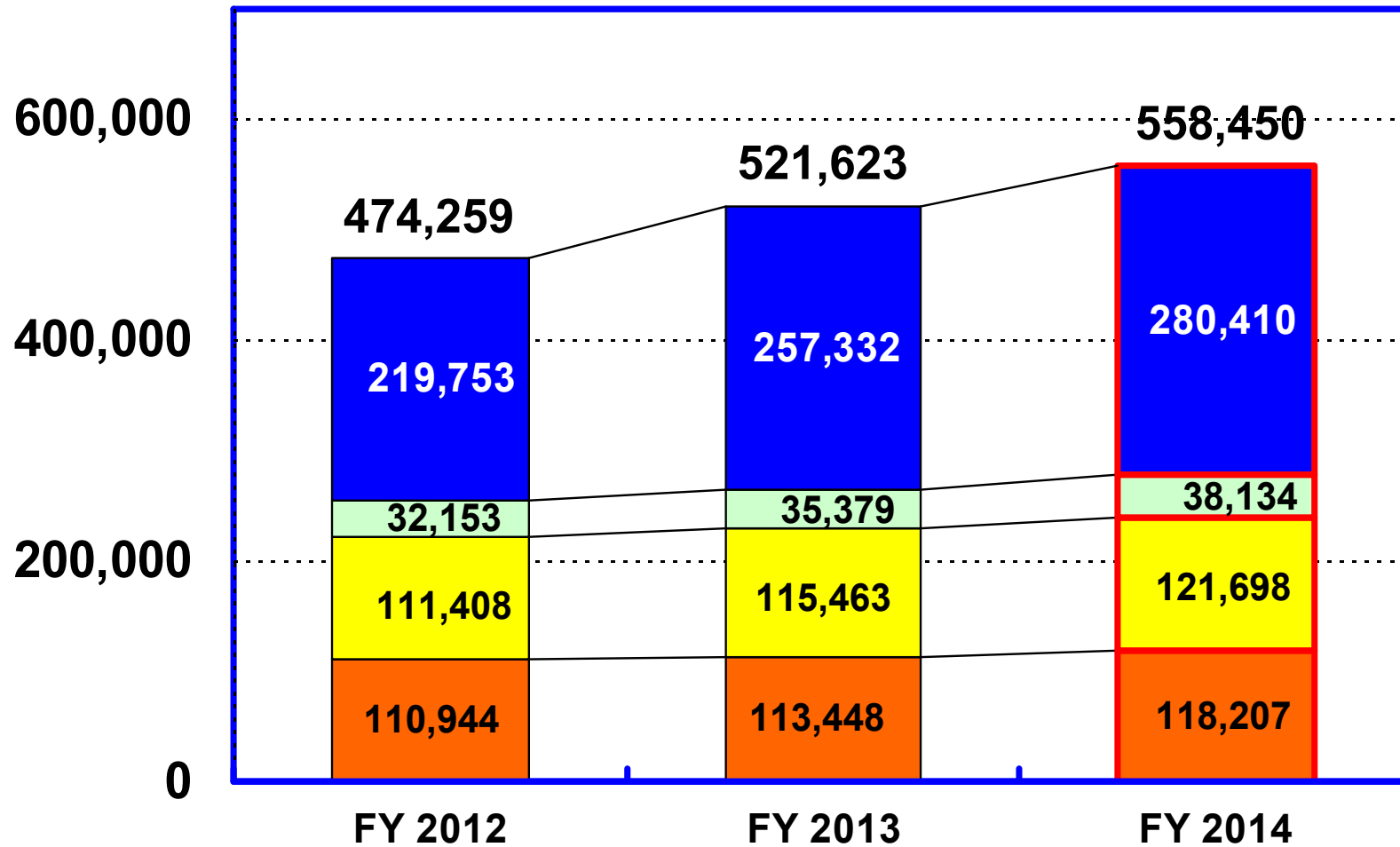
(Millions of yen)



# Net sales by 4 segments



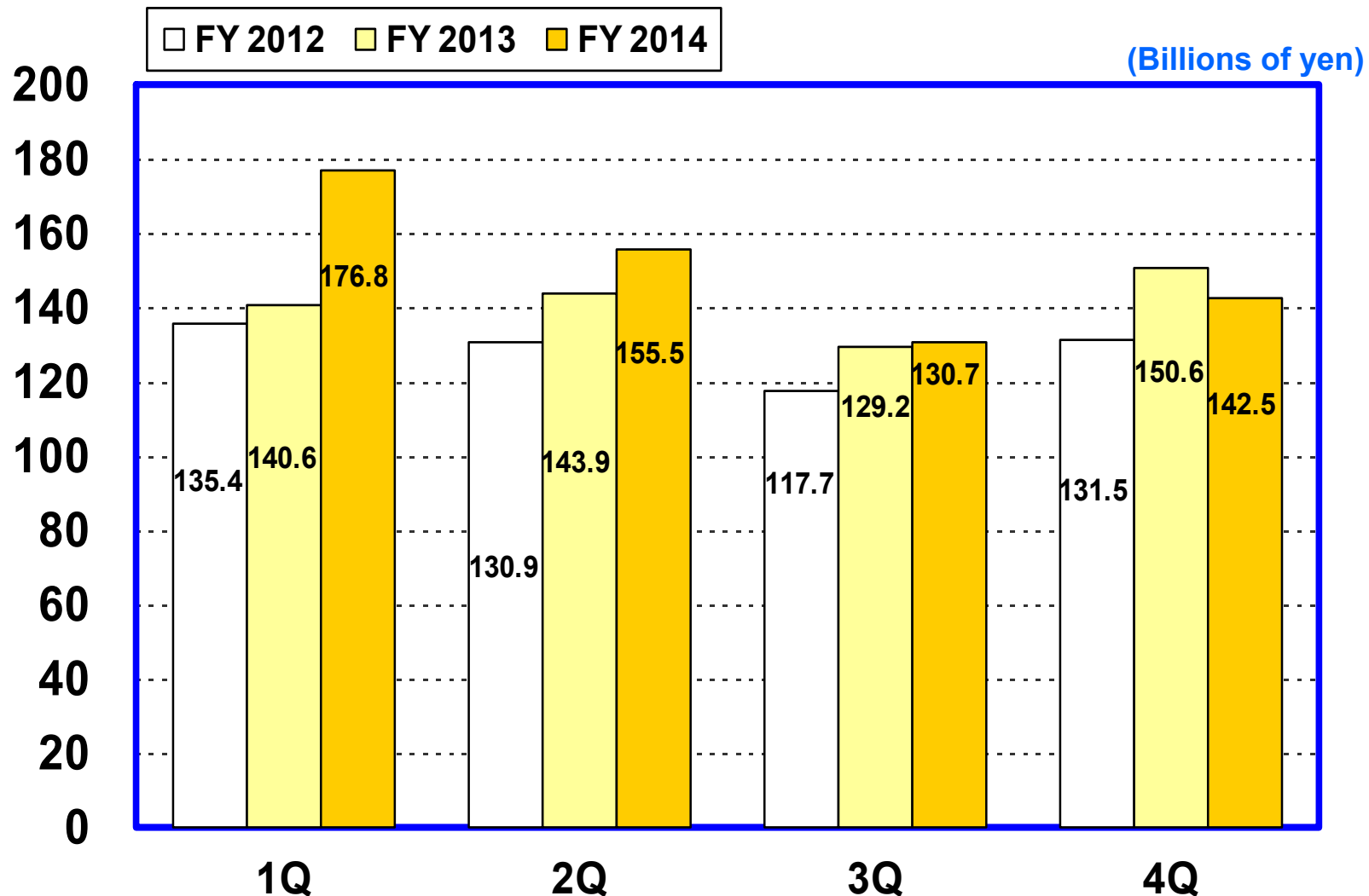
(Millions of yen)





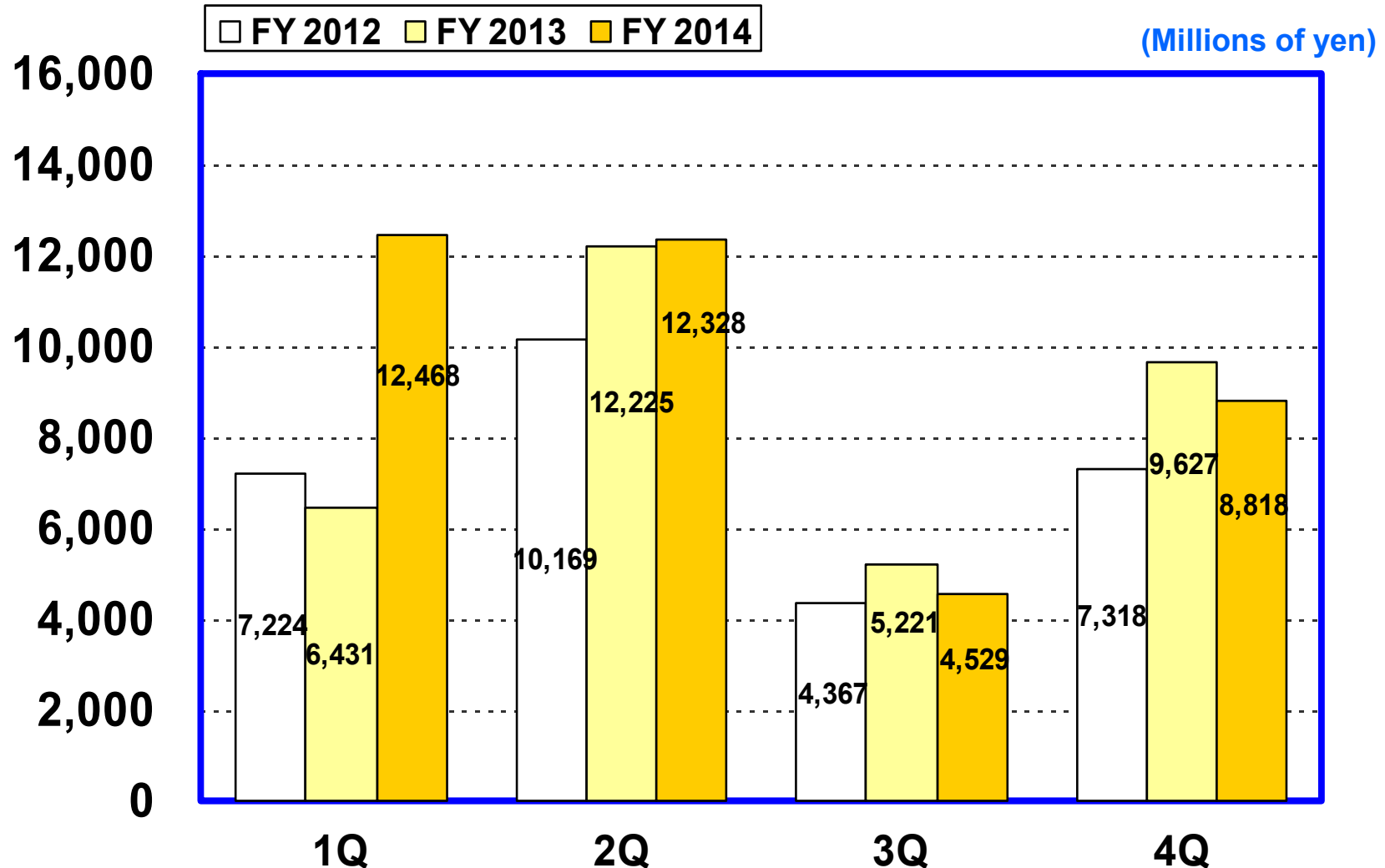
Consolidated

# Quarterly change of Net sales



Consolidated

# Quarterly change of Ordinary income



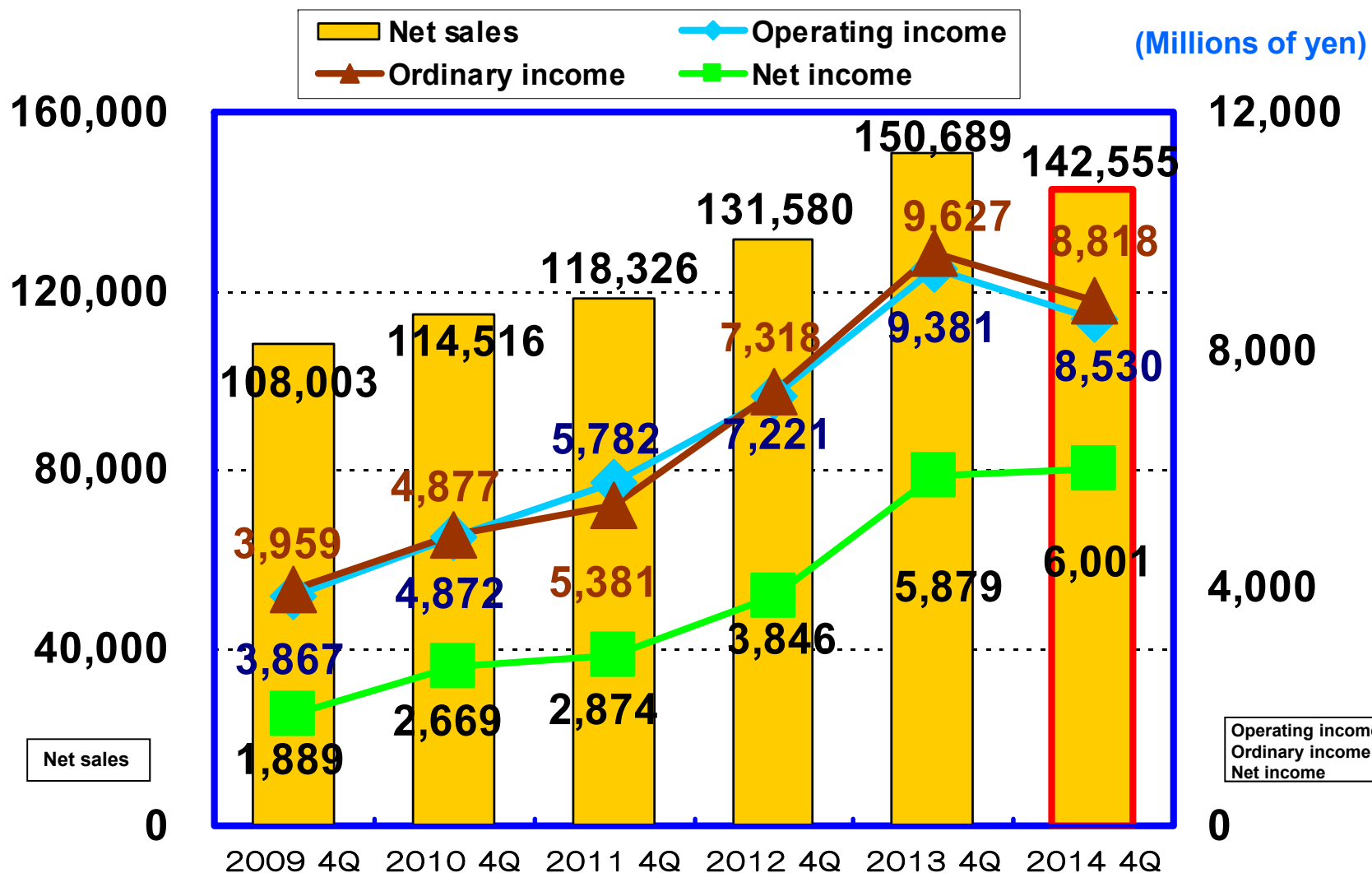
# Summary of Business Results, October – December, 2014

(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	142,555	-5.4%	130,498	-6.0%
Operating income	8,530	-9.1%	7,661	-9.4%
Ordinary income	8,818	-8.4%	7,884	-9.6%
Net income	6,001	+2.1%	5,484	+1.1%

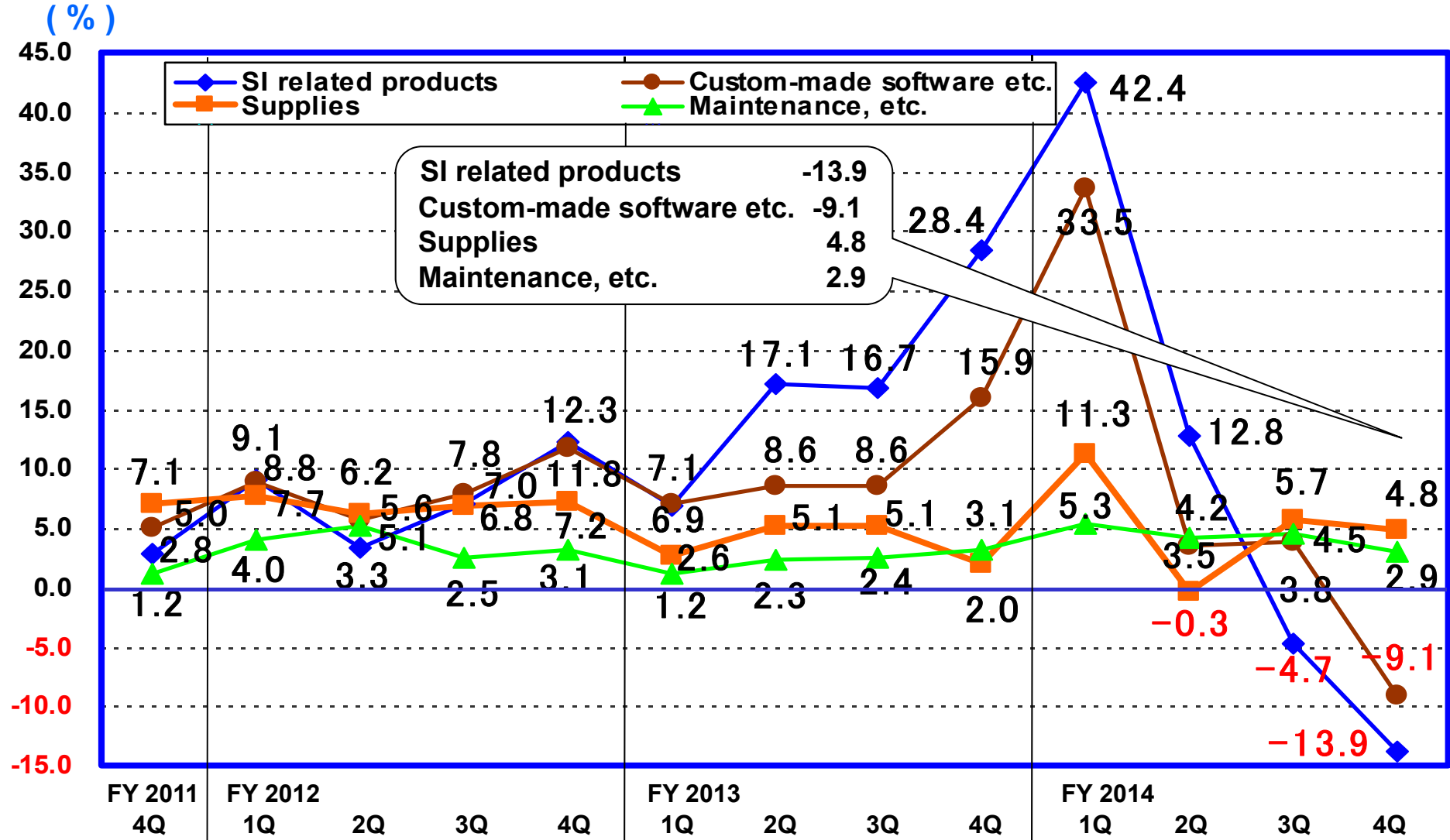
Consolidated

# Net sales and Profits, October – December



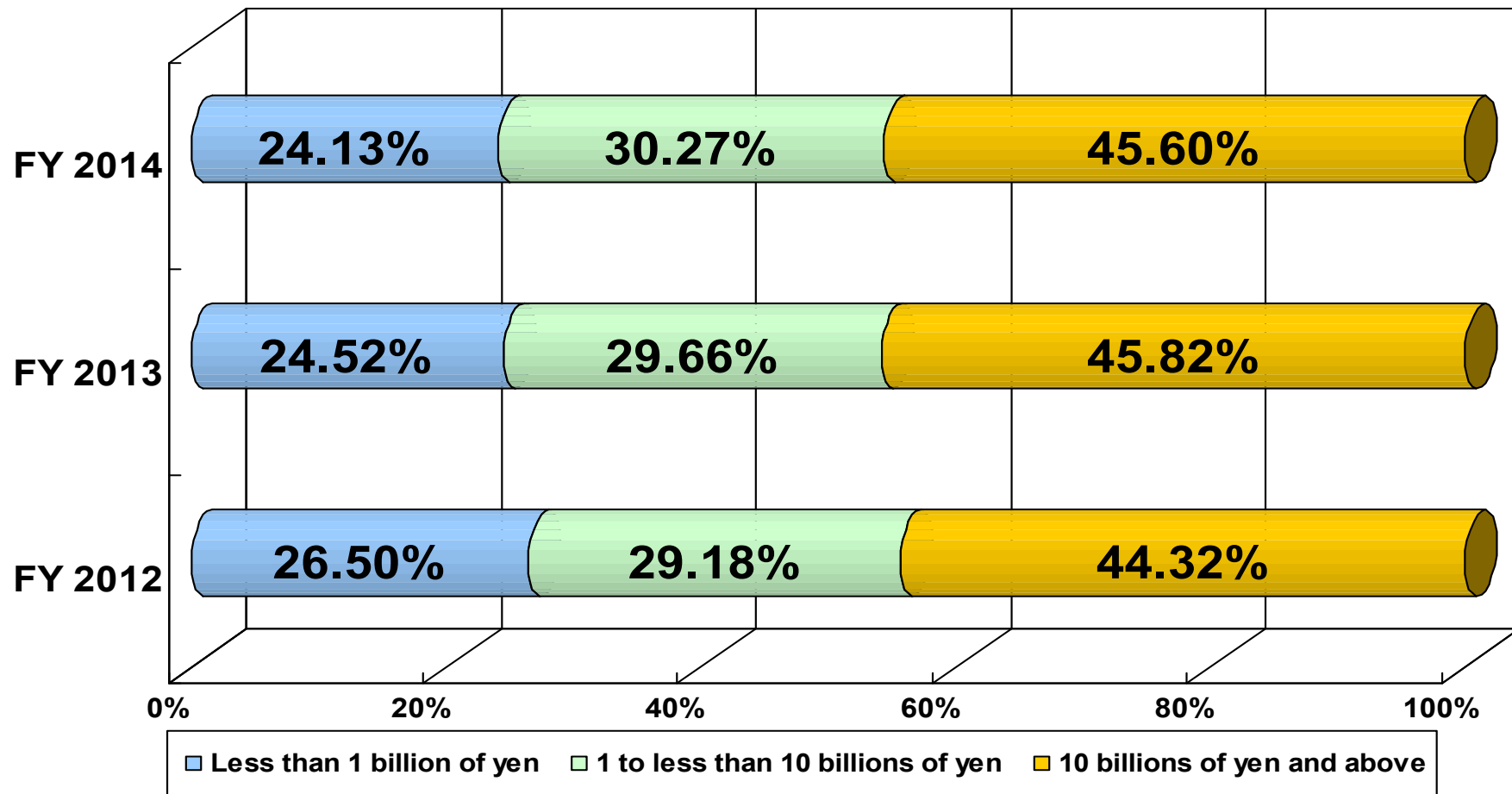
Non-Consolidated

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



Non-Consolidated

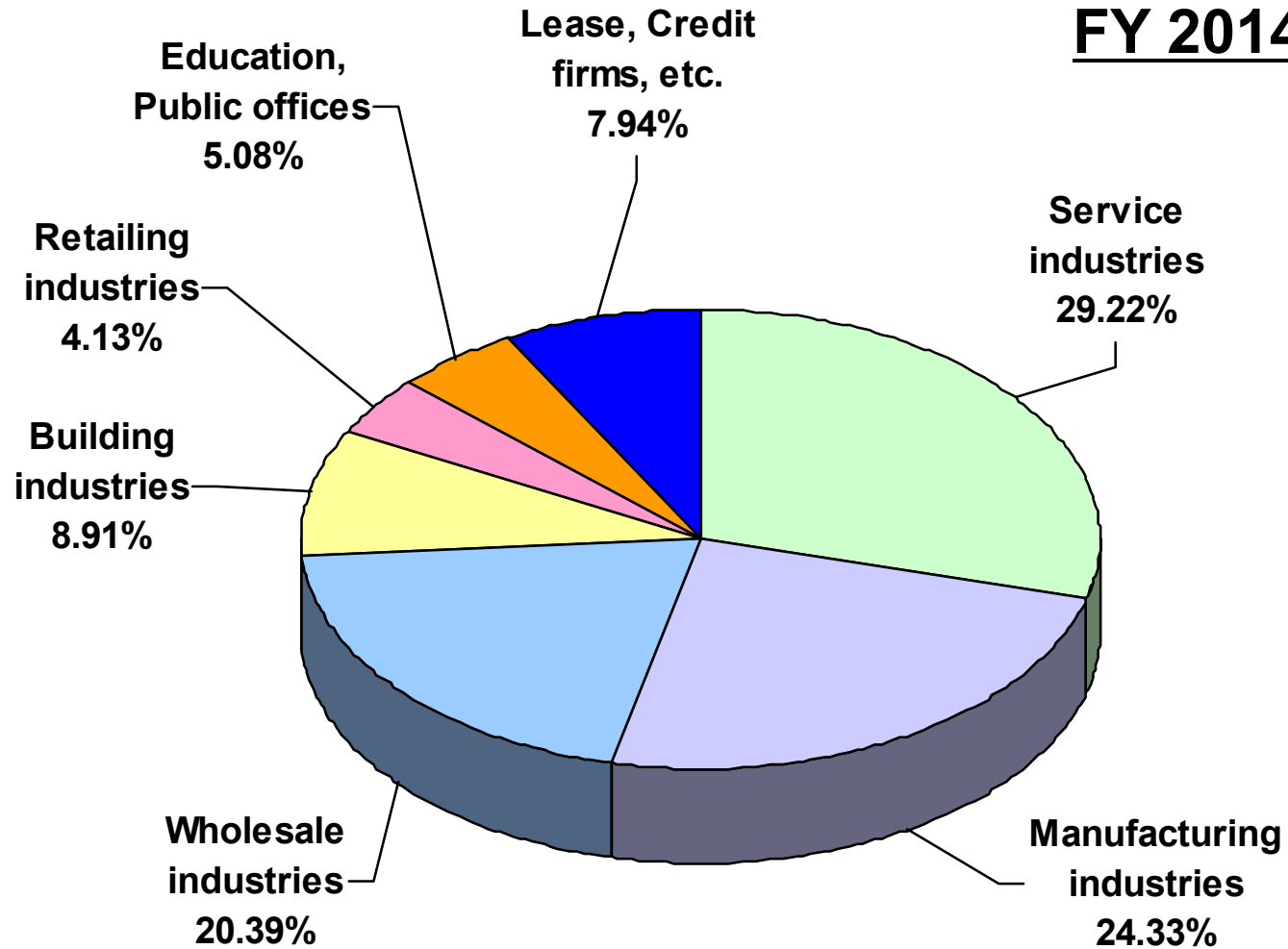
# Net sales structure on customers' total annual business scale



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

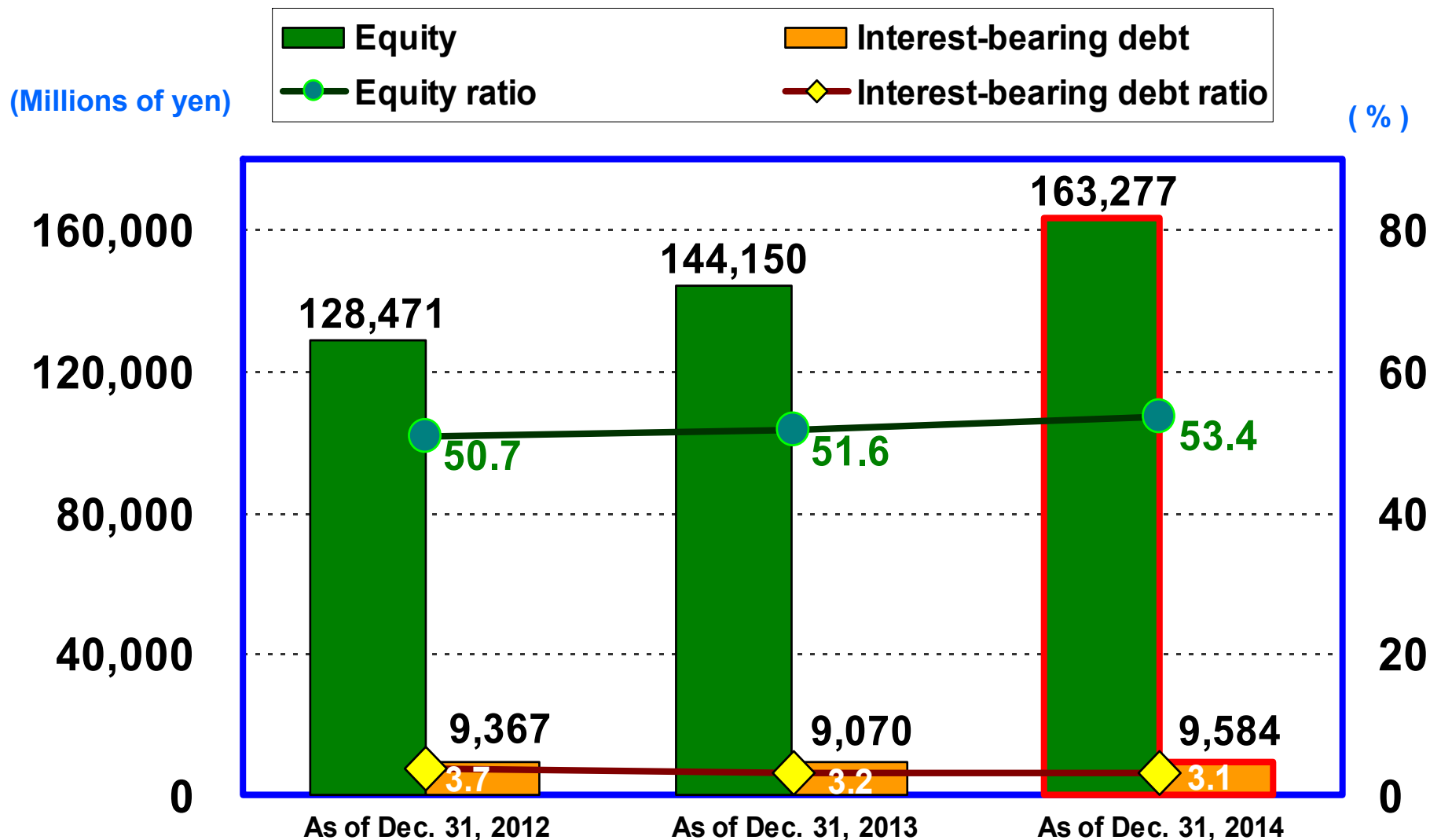
# Sales breakdown by customers' type of industry

**FY 2014**



Consolidated

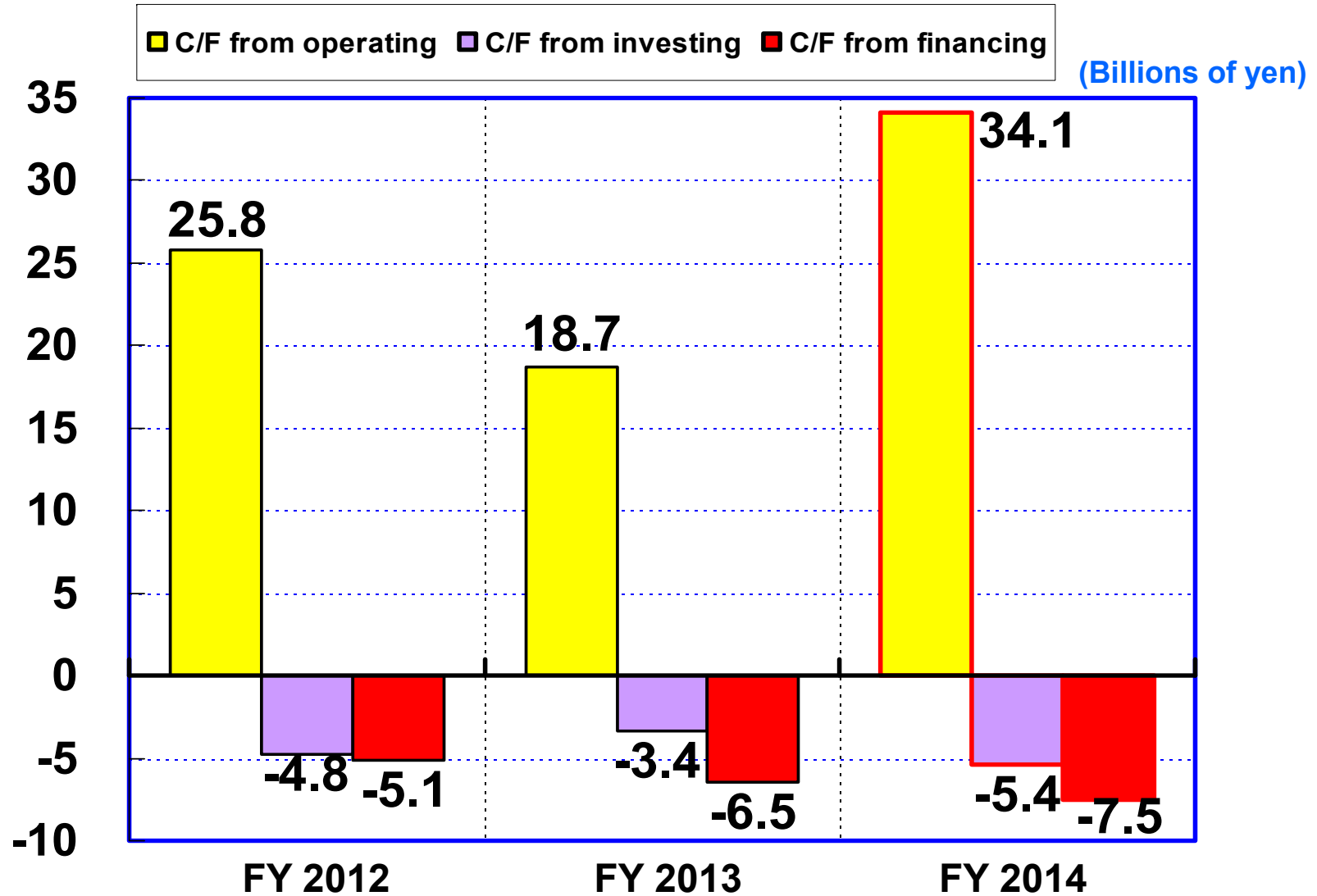
# Equity and Interest-bearing debt





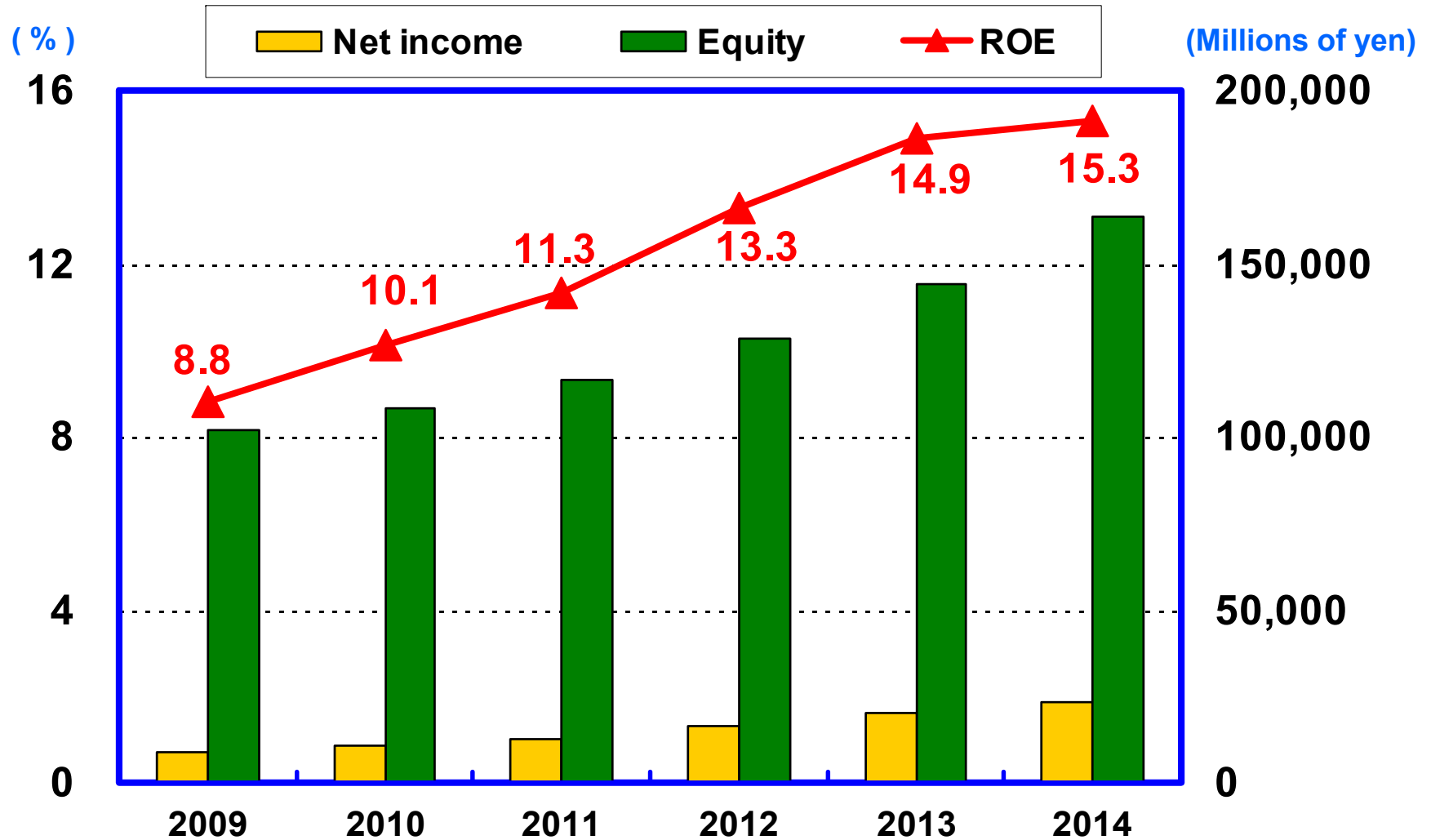
Consolidated

# Cash flows



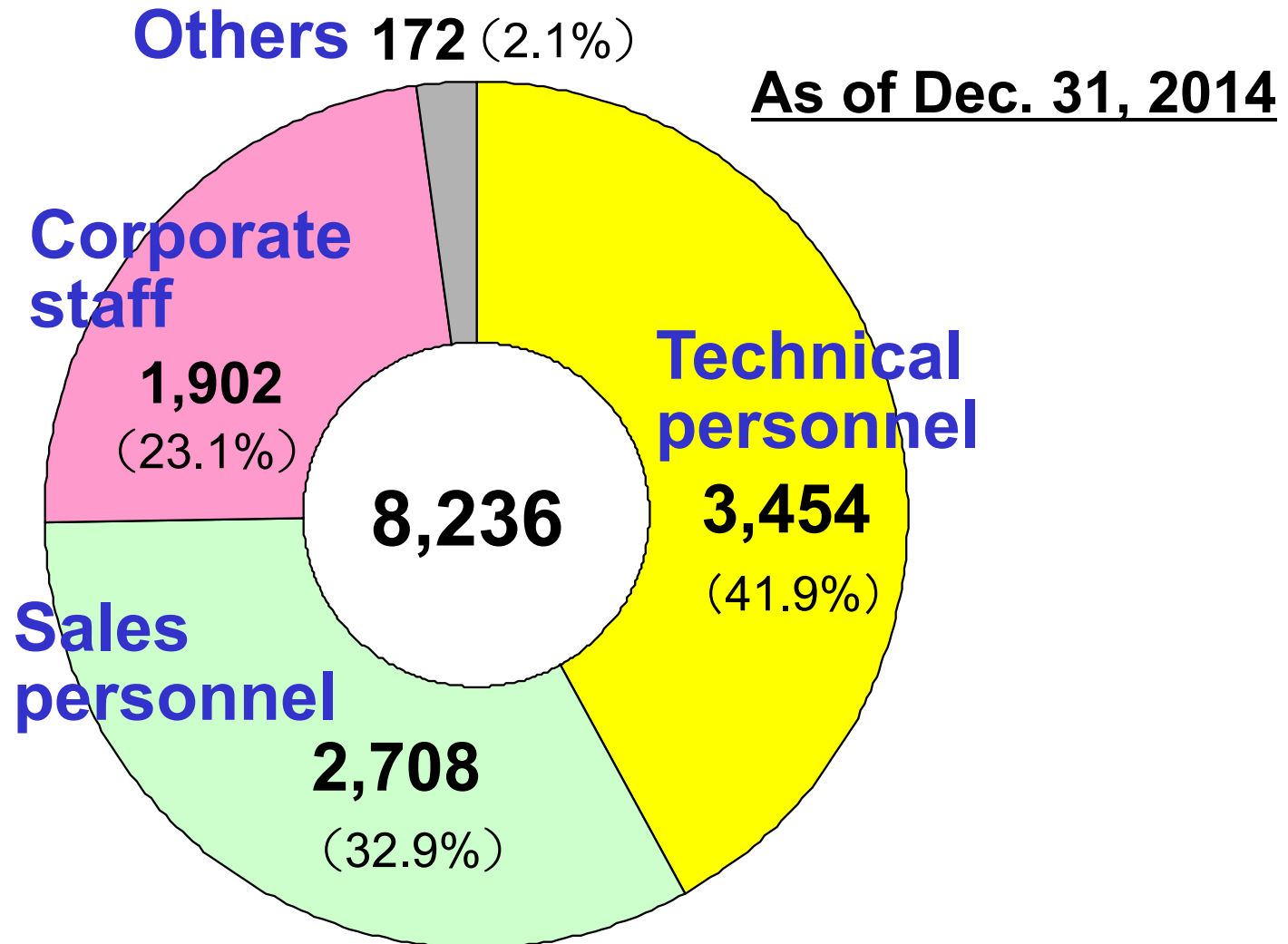
Consolidated

# ROE



Consolidated

# Personnel organization (regular employees)

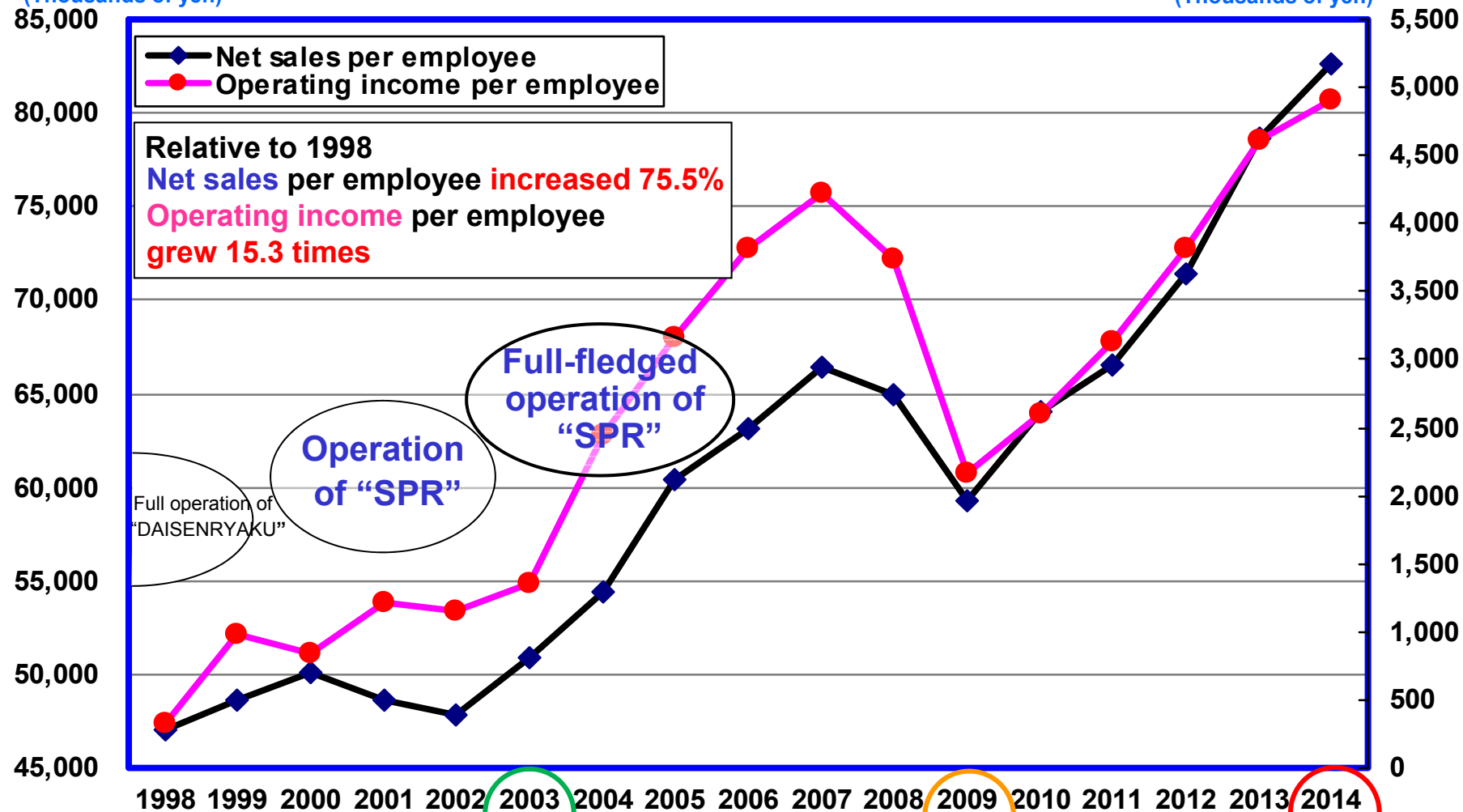


Non-Consolidated

# 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 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

(Difference to last year, +124)



# Key strategic business

<Amount of Sales>

(Millions of yen)

	FY 2012	FY 2013		FY 2014		
	Amount	Amount	Change to Last year	Amount	Difference to Last year	Change to Last year
<b>“tanomail”</b>	117,381	122,367	+4.2%	<b>128,733</b>	<b>+6,365</b>	<b>+5.2%</b>
<b>SMILE</b>	9,006	11,061	+22.8%	<b>11,673</b>	<b>+611</b>	<b>+5.5%</b>
<b>ODS21</b>	42,226	43,525	+3.1%	<b>43,575</b>	<b>+49</b>	<b>+0.1%</b>
<b>OSM</b>	48,069	50,453	+5.0%	<b>50,836</b>	<b>+382</b>	<b>+0.8%</b>

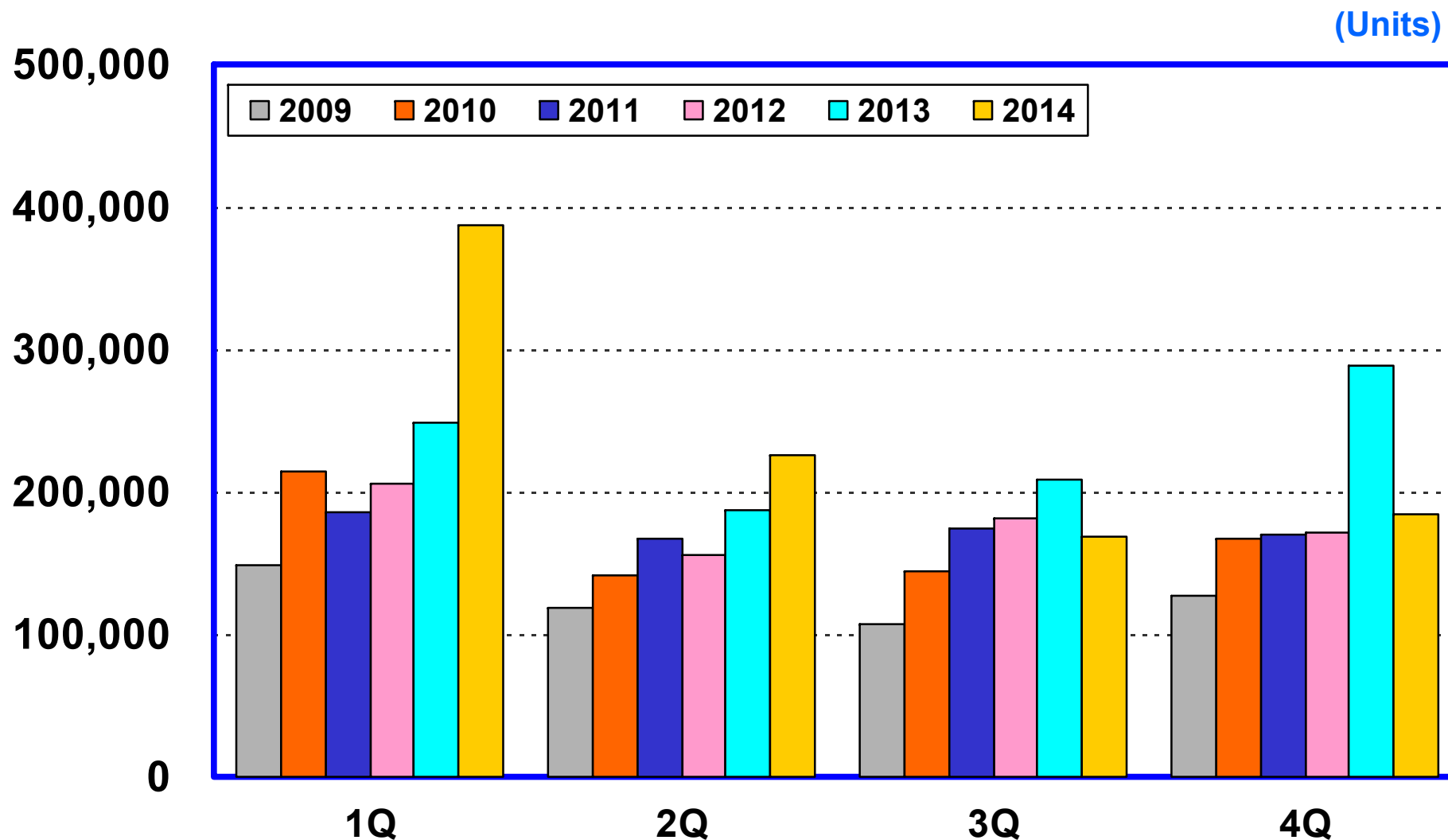
(ODS: Otsuka Document Solutions OSM: Otsuka Security Management)

<As reference: Number of Sales>

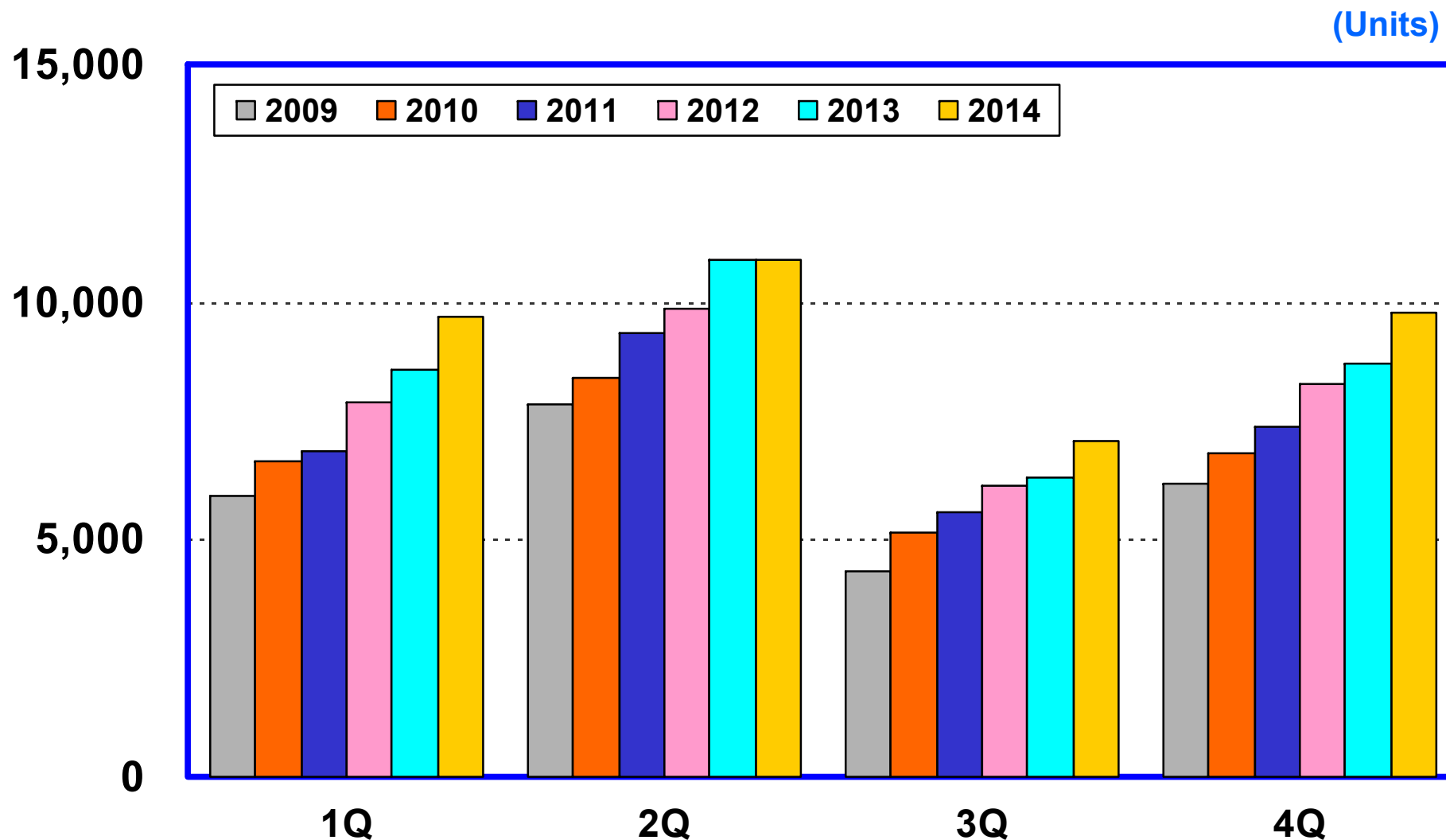
(Units)

<b>Copier</b>	32,104	34,432	+7.3%	<b>37,392</b>	<b>+2,960</b>	<b>+8.6%</b>
(of which Color copier)	27,332	30,449	+11.4%	<b>33,793</b>	<b>+3,344</b>	<b>+11.0%</b>
<b>Server</b>	39,205	37,989	-3.1%	<b>39,467</b>	<b>+1,478</b>	<b>+3.9%</b>
<b>PC</b>	714,616	932,607	+30.5%	<b>966,600</b>	<b>+33,993</b>	<b>+3.6%</b>

# Quarterly Number of PCs Sold

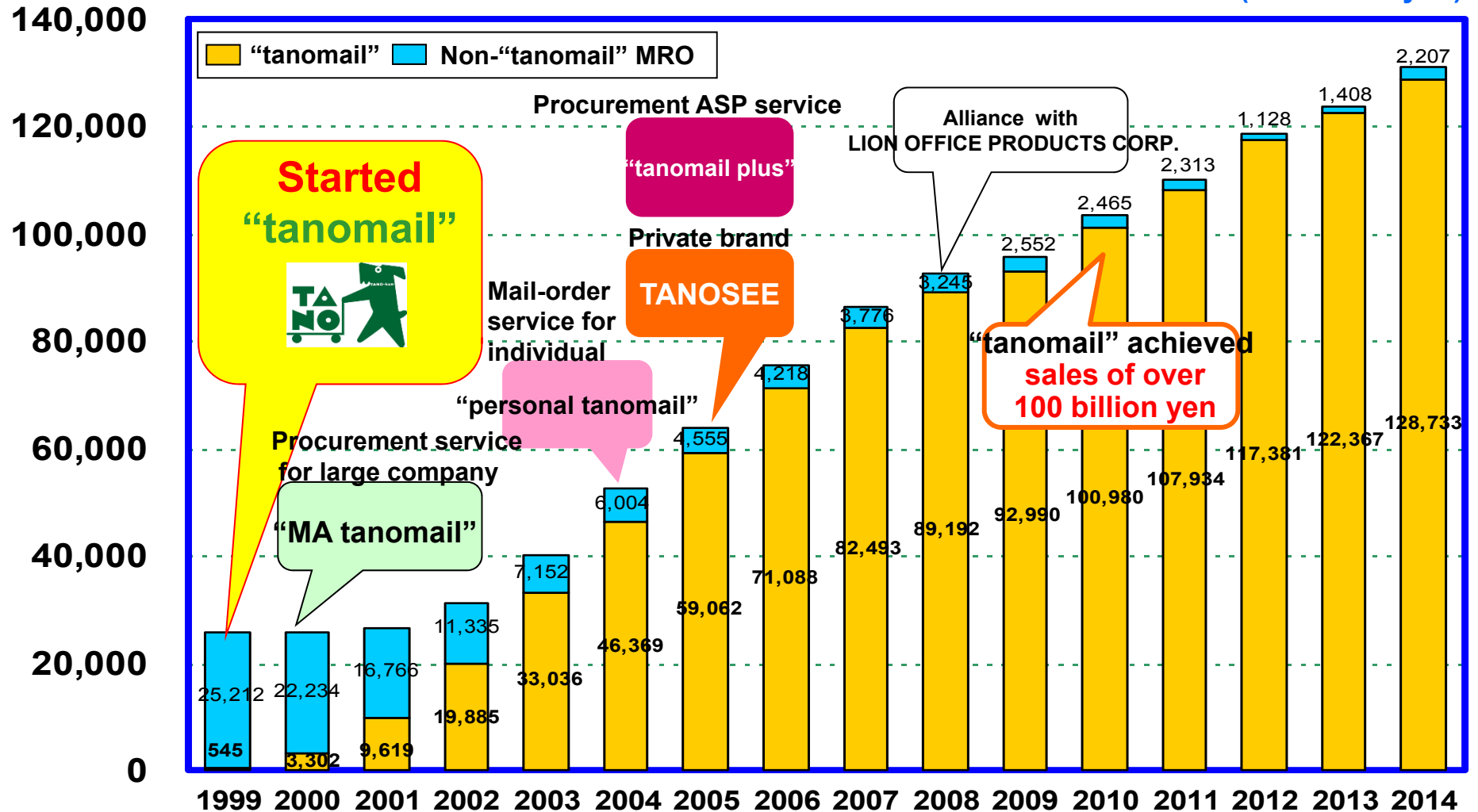


# Quarterly Number of Copiers Sold



# Annual sales transition of "tanomail"

(Millions of yen)

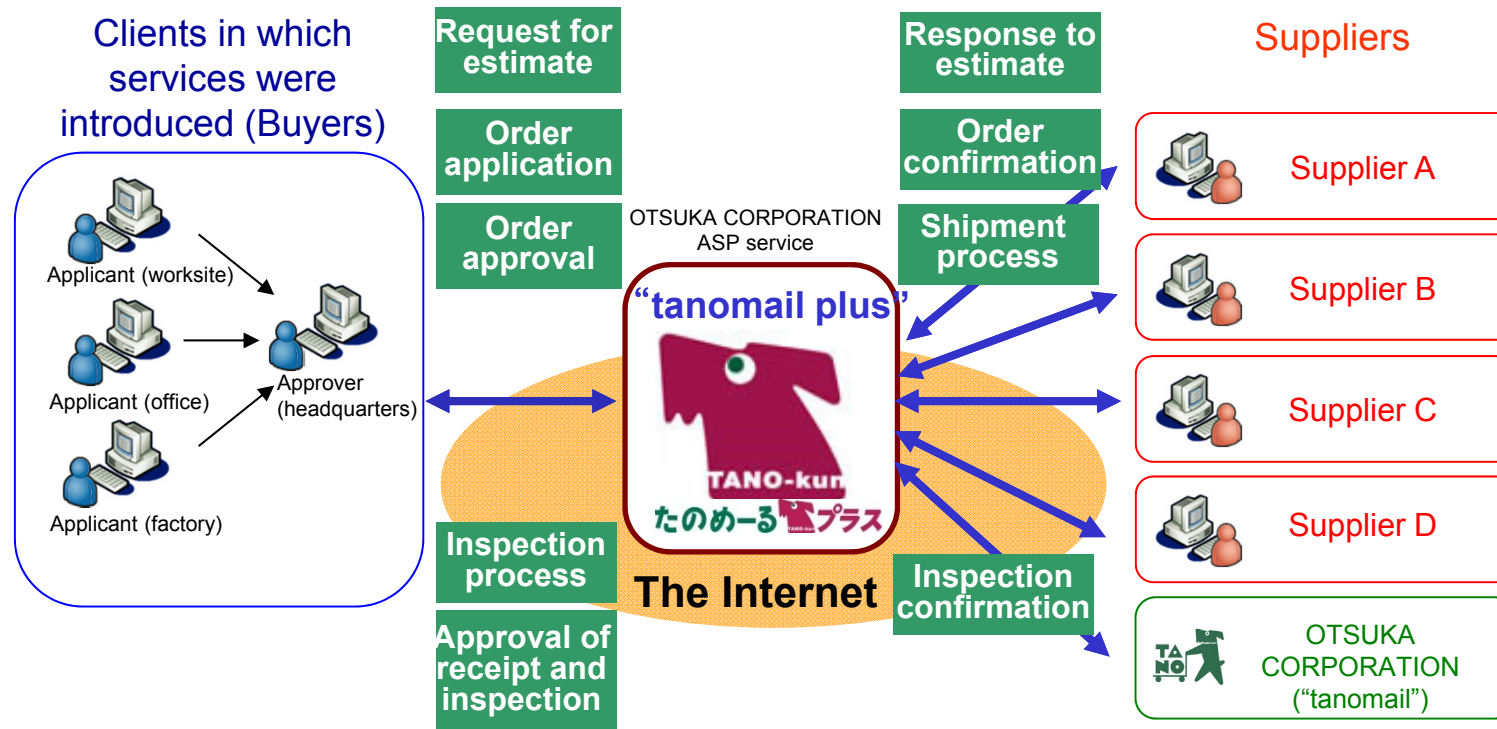


Accounts of "tanomail" 506 133,105 153,609 169,148 322,720 385,895 448,812 506,263 564,489 626,932 698,999 773,882 849,567 932,547 1,018,939 1,111,330



# Support Services for Procurement and Purchase Operations

## “tanomail plus”

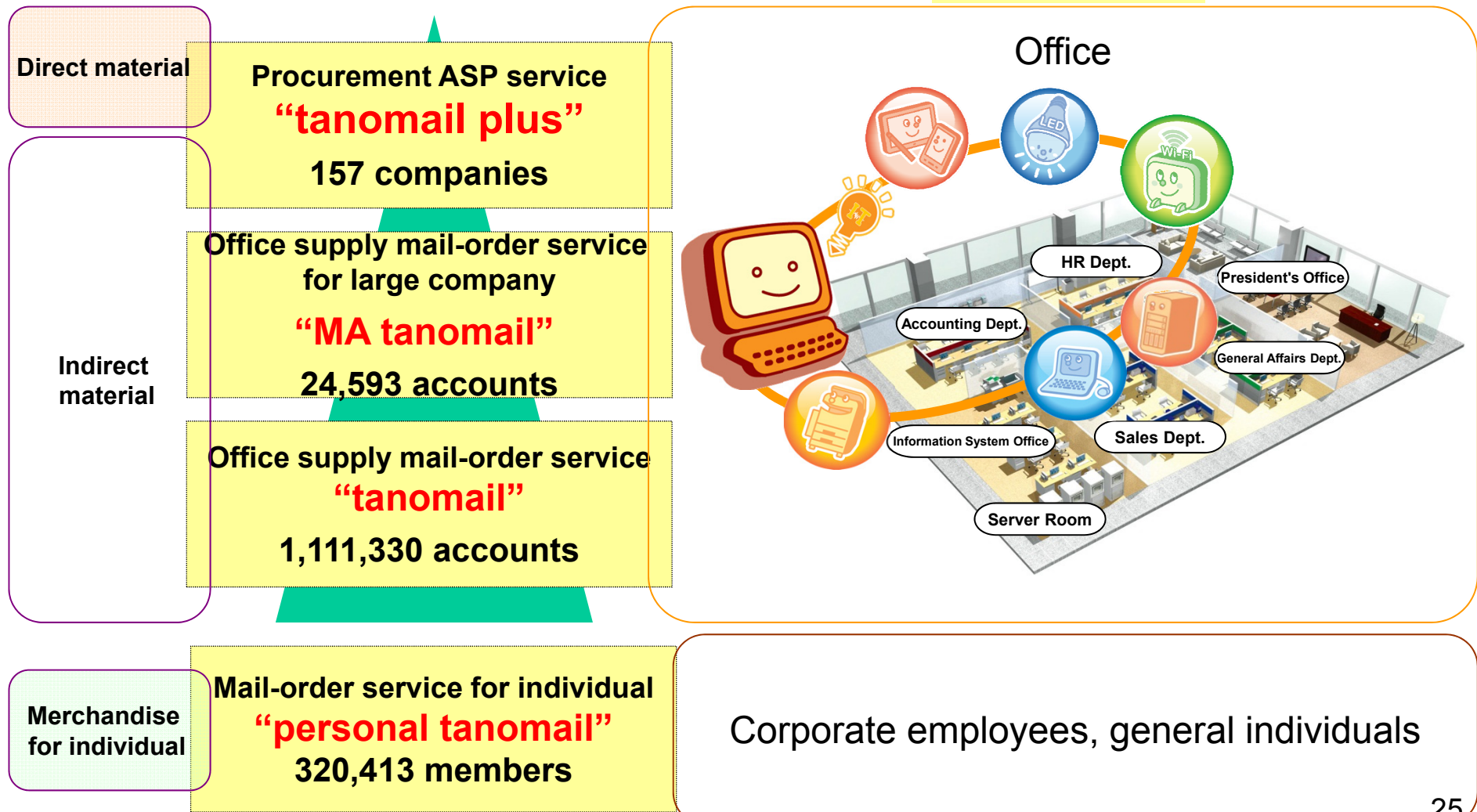


**Services commenced in 2005**  
**Number companies in operation: 157 companies**  
**Pass-through amount: 86.0 billion yen (6.2% increase)**

# Total support by OTSUKA CORPORATION

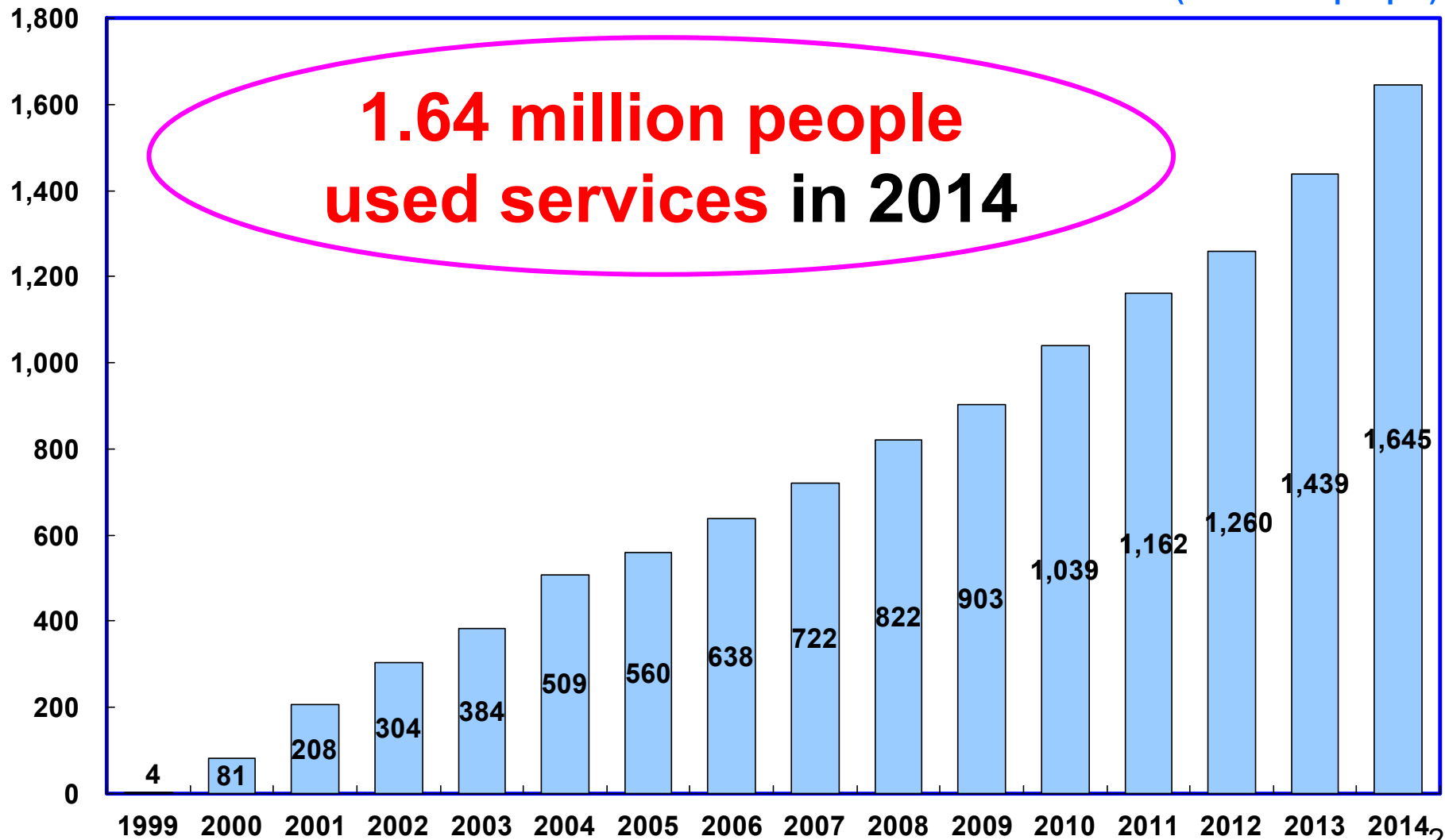
OTSUKA CORPORATION supports customers' procurement duties across the board

(As of Dec. 31, 2014)



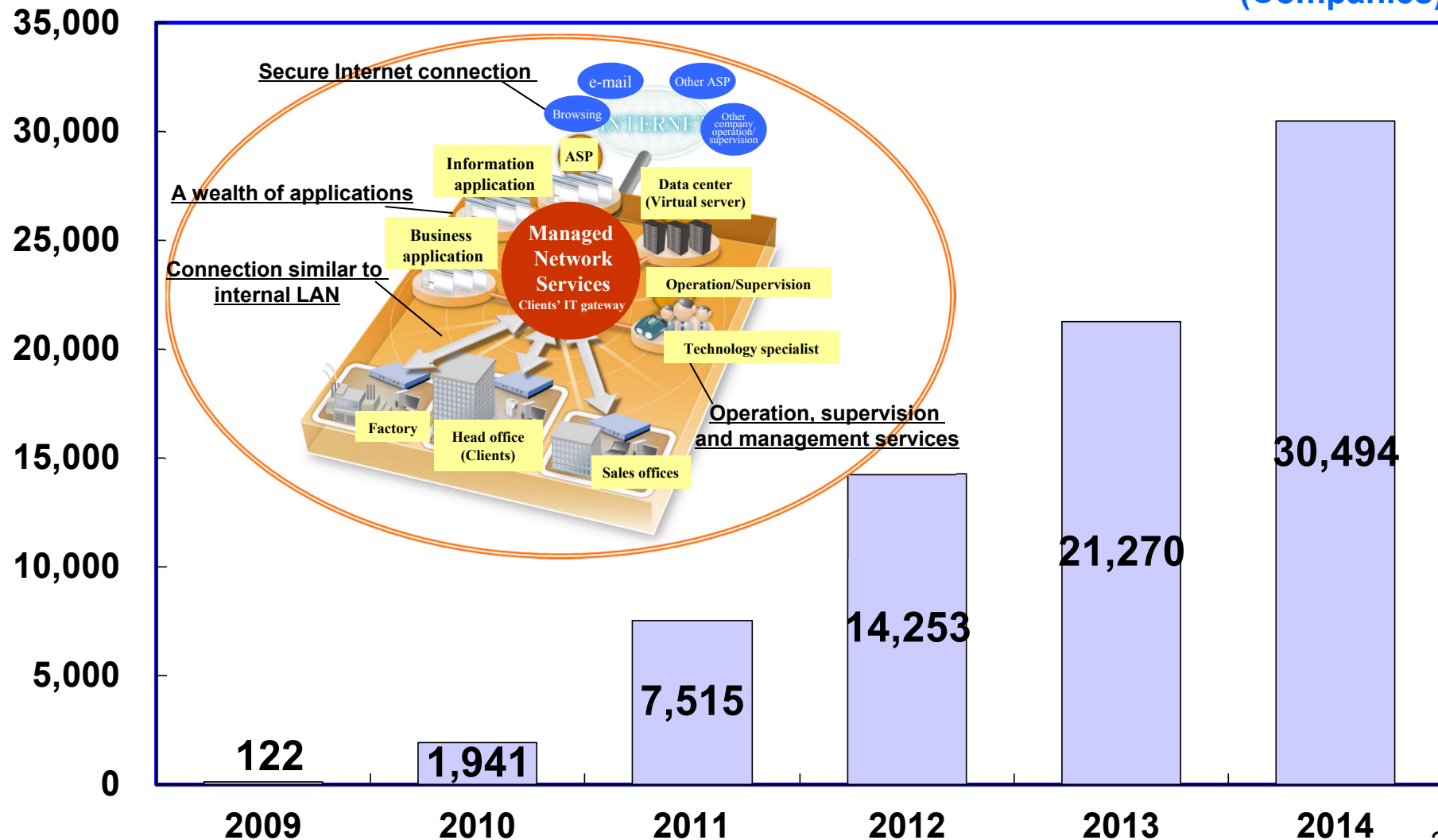
# Number of Users of Main Web Services (ASP)

(Thousand people)

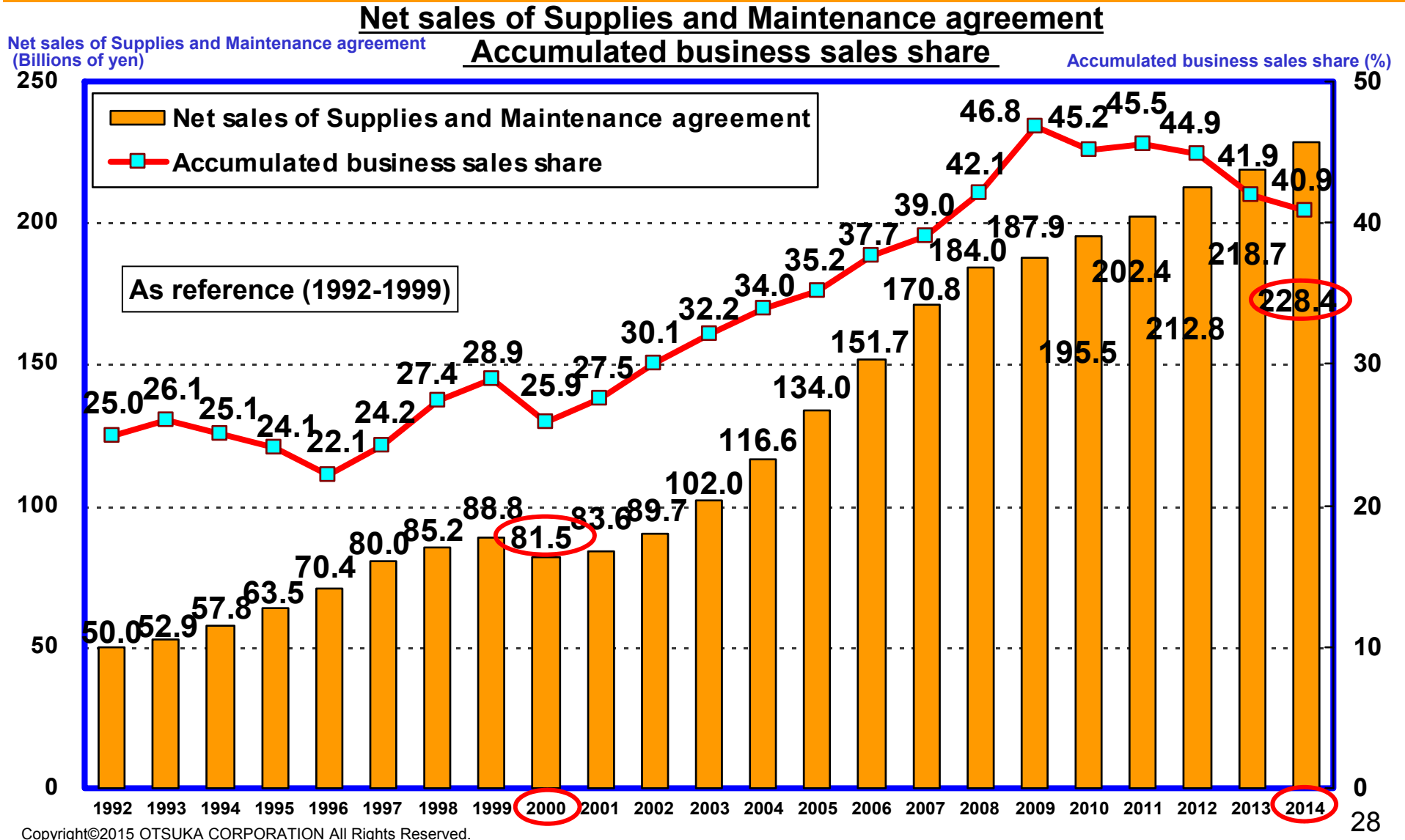


# Number of Companies to Which Managed Network Services (MNS) Were Sold

(Companies)



# 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 2015

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- **Moderate growth of the Japanese economy is expected after the impact of the consumption tax increase has bottomed out**
- **Emergence of labor shortages**
- **Preparations toward introduction of the Social Security and Tax Number (“My Number”) System**
- **Demand for raising productivity through aggressive IT investment**
- **End of support for Windows Server 2003**
- **Market expansion of mobile and tablet devices**
- **Strong demand by companies for IT utilization and energy-saving**



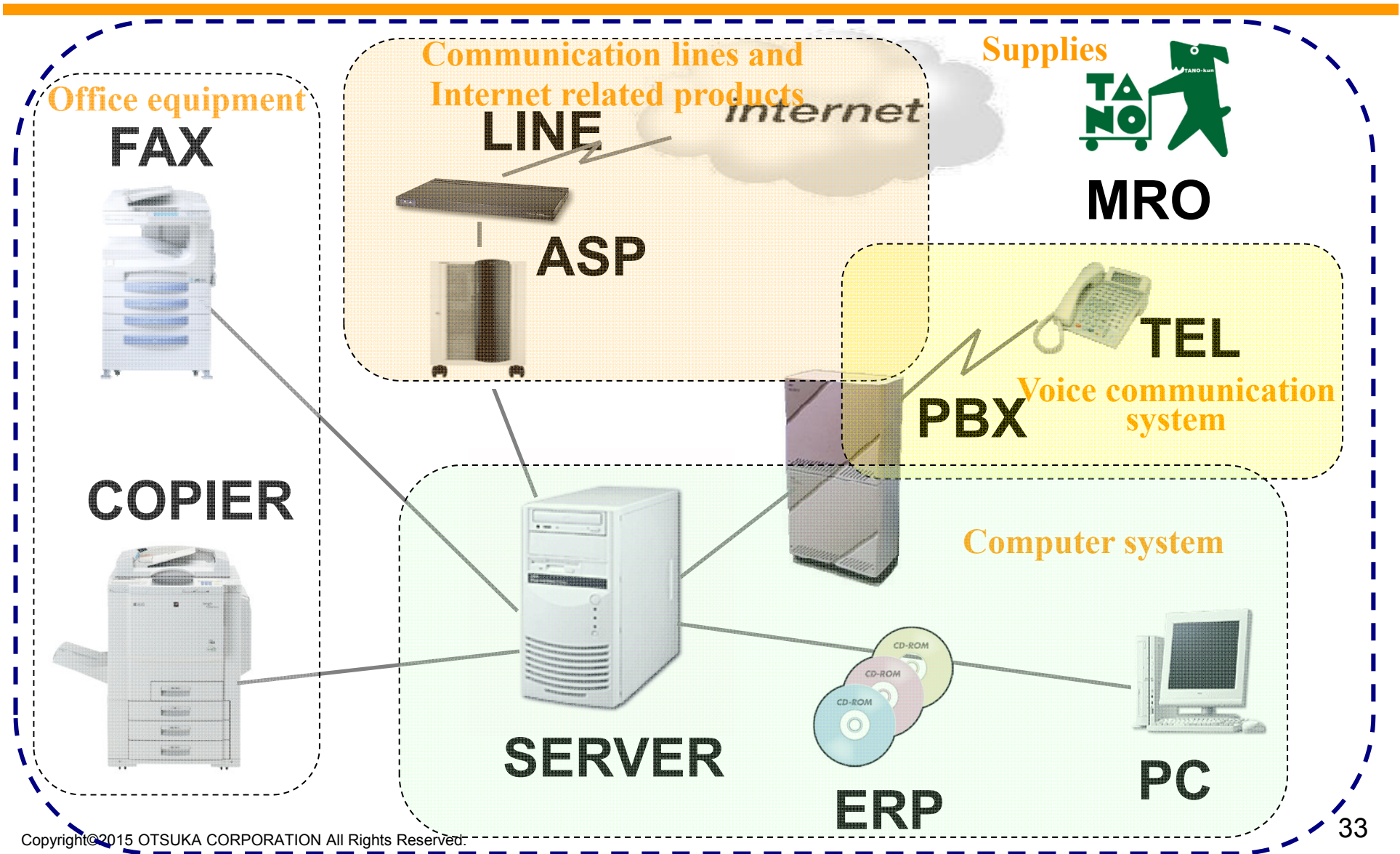
# Policies and Measures in 2015

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**“Live up to customer trust from a customer viewpoint and vitalize office with solutions”**

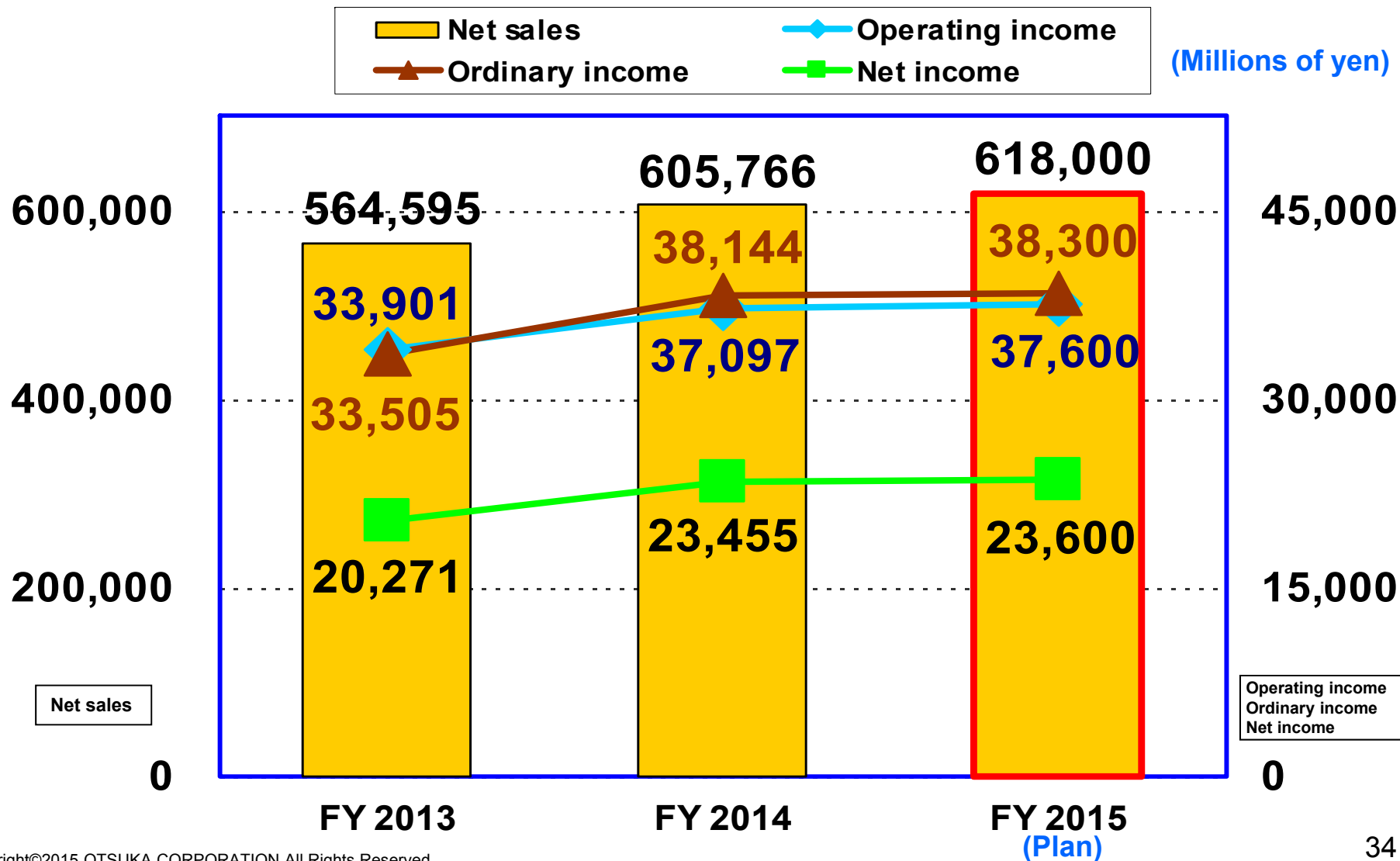
- **Expansion of business items with customers and cross-selling**
- **Proposal of solutions to enhance productivity and labor saving**
- **Utilization of “Virtual Manager”**
- **Proposal of upgrades of Windows Server 2003**
- **Strengthening of network solutions**

# One-Stop Solution & Support



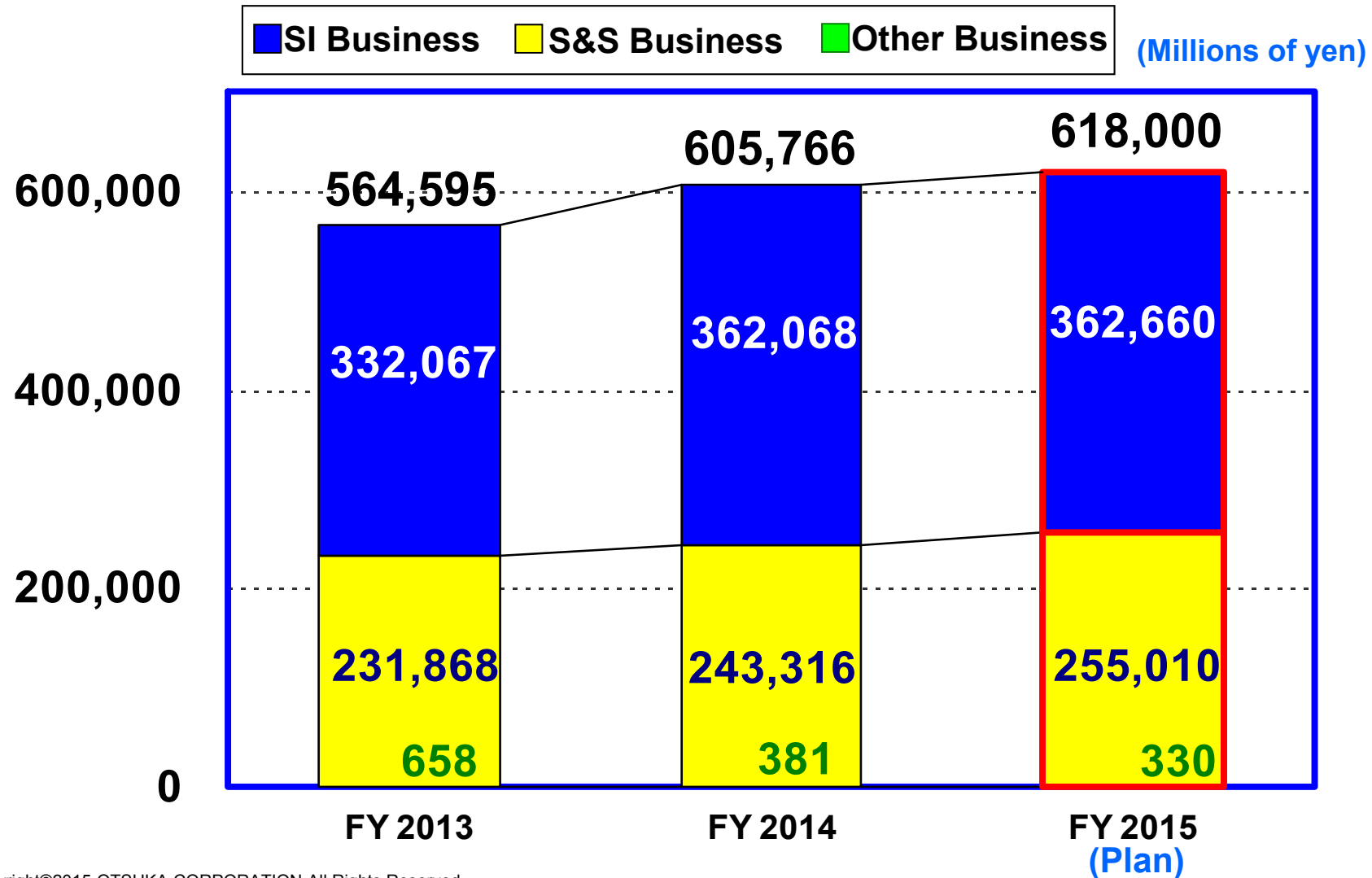
Consolidated

# Plans of Net sales and profit



Consolidated

# Plans of Net sales by segments



# Jissen (Practical) Solution Fair 2015



**Dates : February 4 (Wed) – February 6 (Fri)  
Venue: The Prince Park Tower Tokyo**



# Cautionary statement

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1. This material is intended to provide information about the business performance of fiscal year 2014 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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