



Business Results

for the fiscal year ended December 31, 2016

February 1, 2017

OTSUKA CORPORATION

Yuji Otsuka, President

Summary of Business Results, January – December, 2016

(Millions of yen)

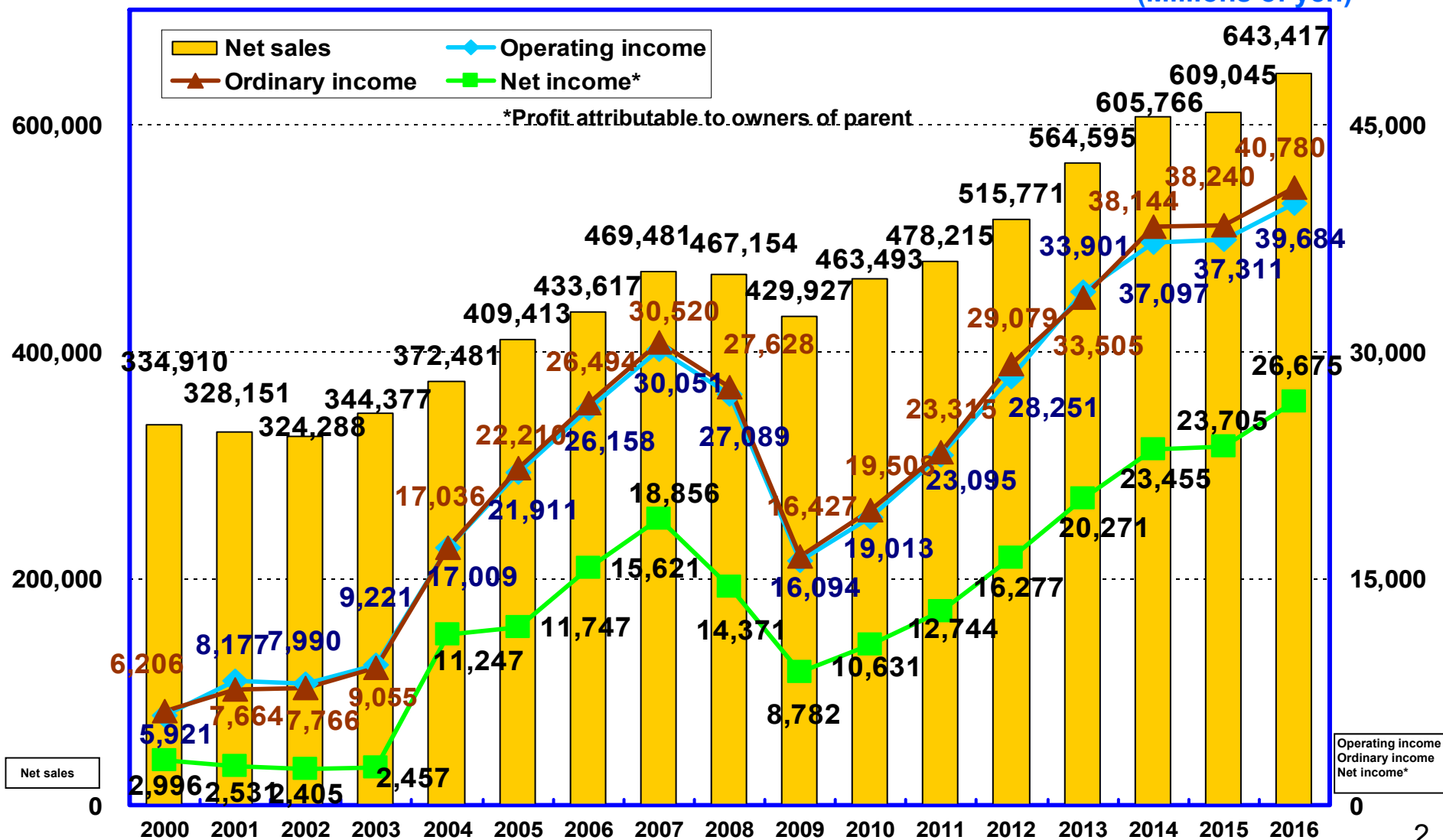
	Consolidated			Non-Consolidated		
	Amount	Ratio to Plan	Change to Last Year	Amount	Ratio to Plan	Change to Last Year
Net sales	643,417	100.7%	+5.6%	584,138	99.4%	+4.4%
Operating income	39,684	99.2%	+6.4%	36,109	98.4%	+7.2%
Ordinary income	40,780	100.7%	+6.6%	37,411	99.5%	+7.5%
Net income*	26,675	105.9%	+12.5%	24,776	104.9%	+14.5%

*Profit attributable to owners of parent

Consolidated

Performance Results Since Public Listing

(Millions of yen)

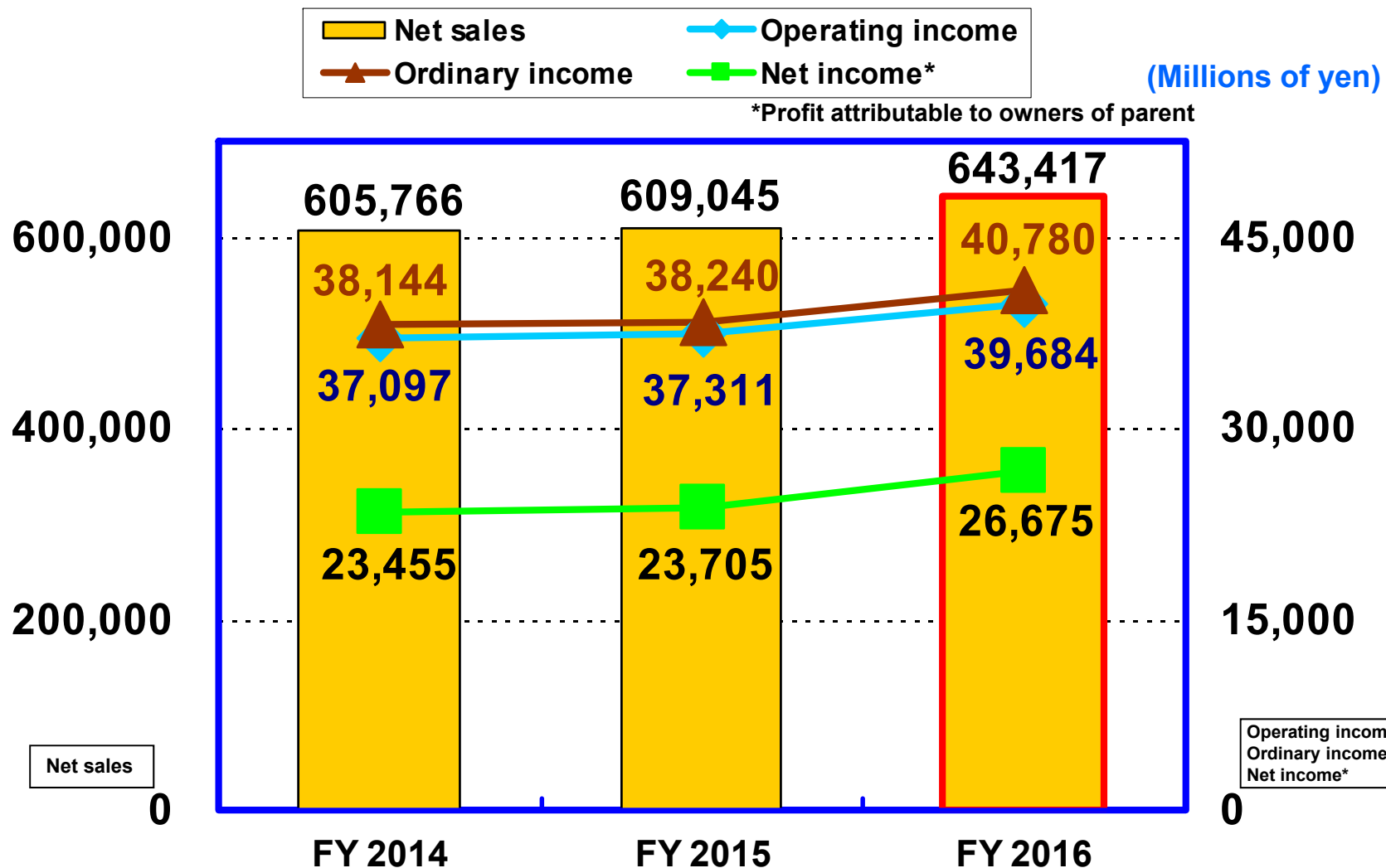


Consolidated subsidiaries

Segment	Company name	Business domain	Number of employees	FY 2016 Net sales (Millions of yen)
I S	OSK Co., LTD.	Development and sale of packaged software, IT consulting, and Consigned software development	424	8,096
	Net World Corporation	Sales and technology support for network-related equipment	378	78,513
S & S	Alpha Techno Co., Ltd	Emergency repair of PC and peripheral equipment and data recovery service	314	4,577
	Alpha Net Co., Ltd	Comprehensive service and support for network systems	415	7,936
Others	Otsuka Auto Service Co., Ltd	Maintenance and body work for automobiles, and commissioned sales of insurance	22	533

Consolidated

Net sales and Profits

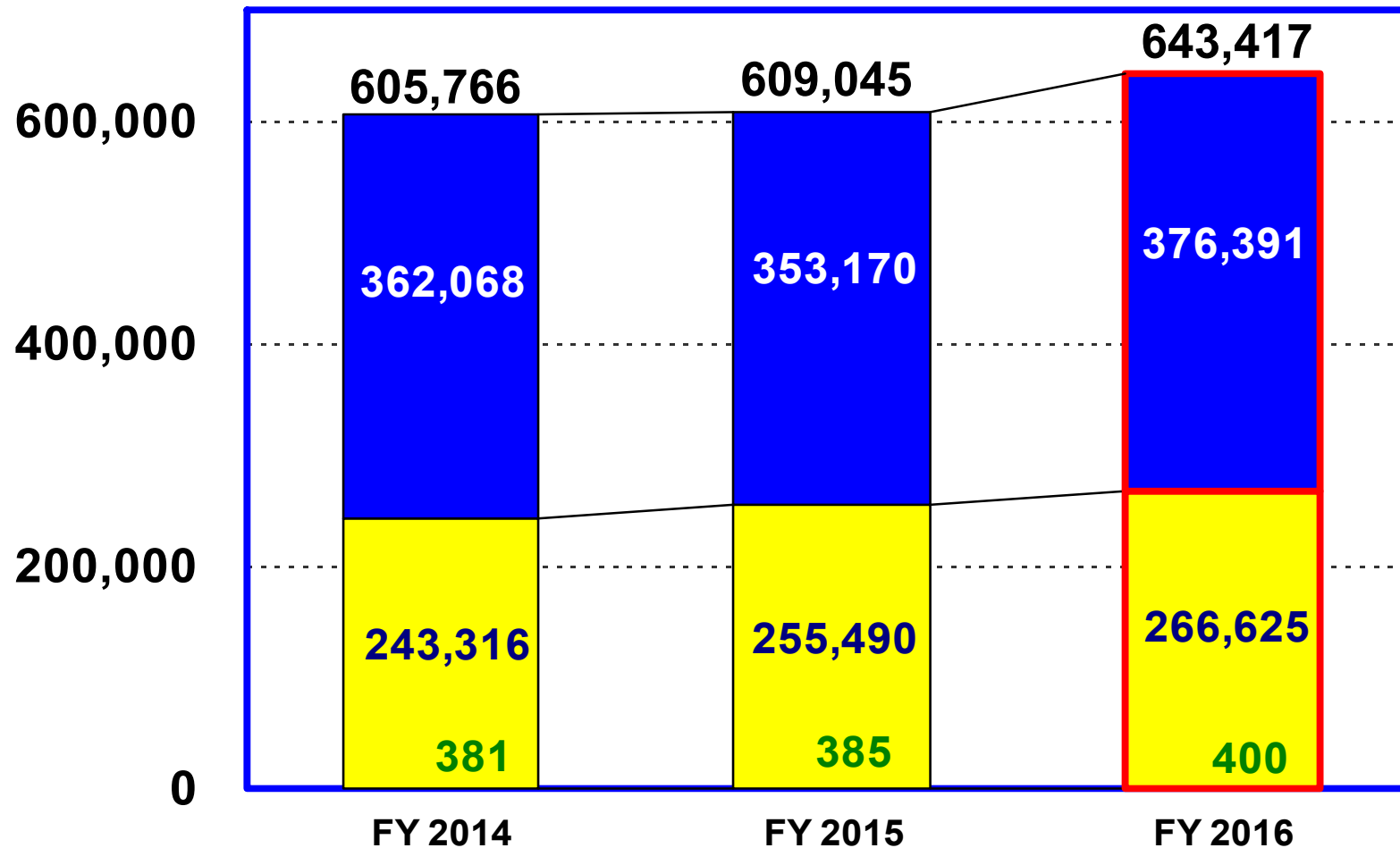


Consolidated

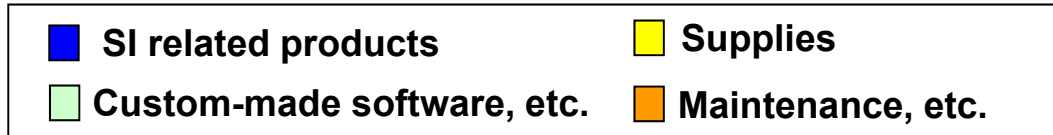
Net sales by segments

■ SI business ■ S&S business ■ Other business

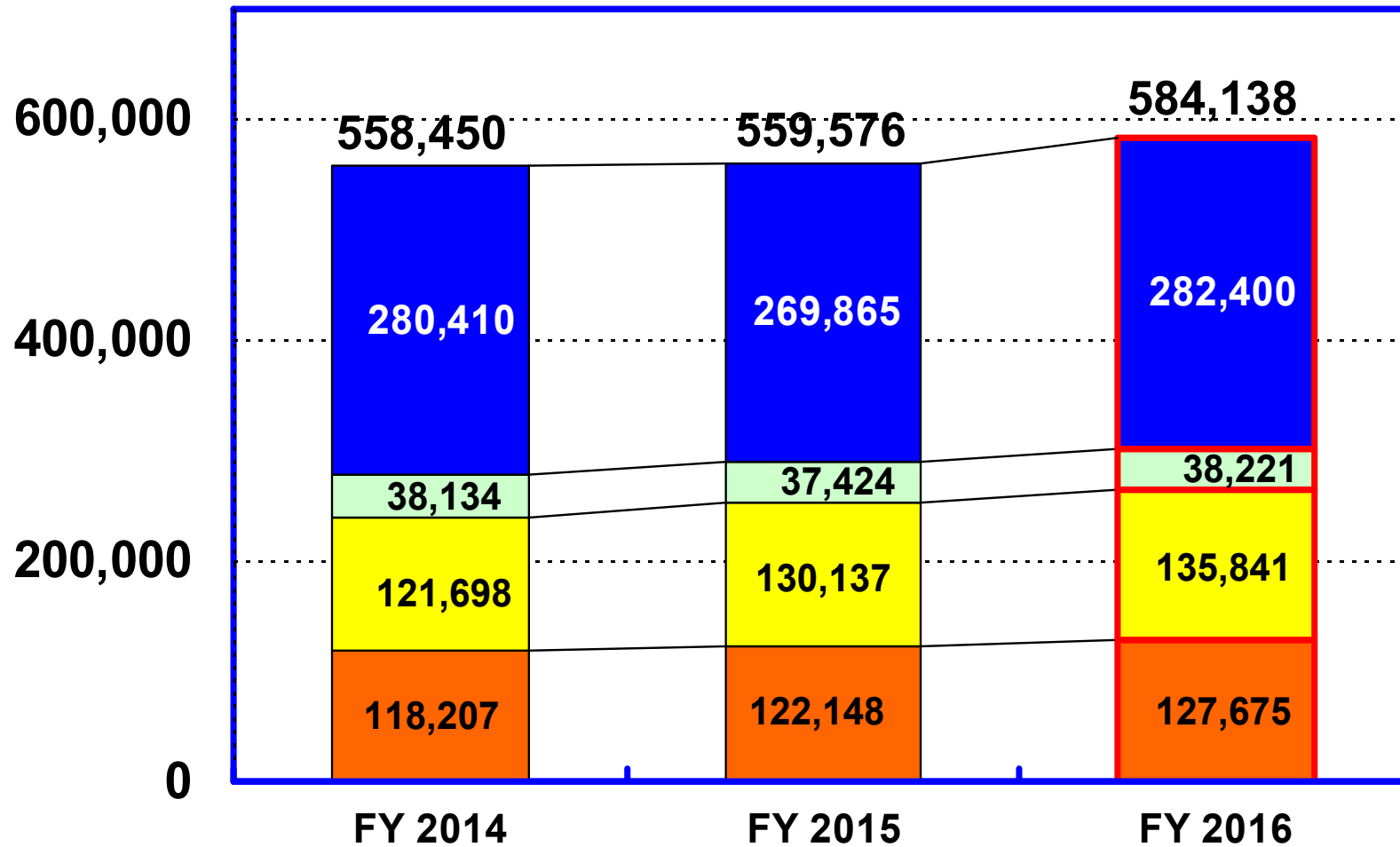
(Millions of yen)



Net sales by 4 segments

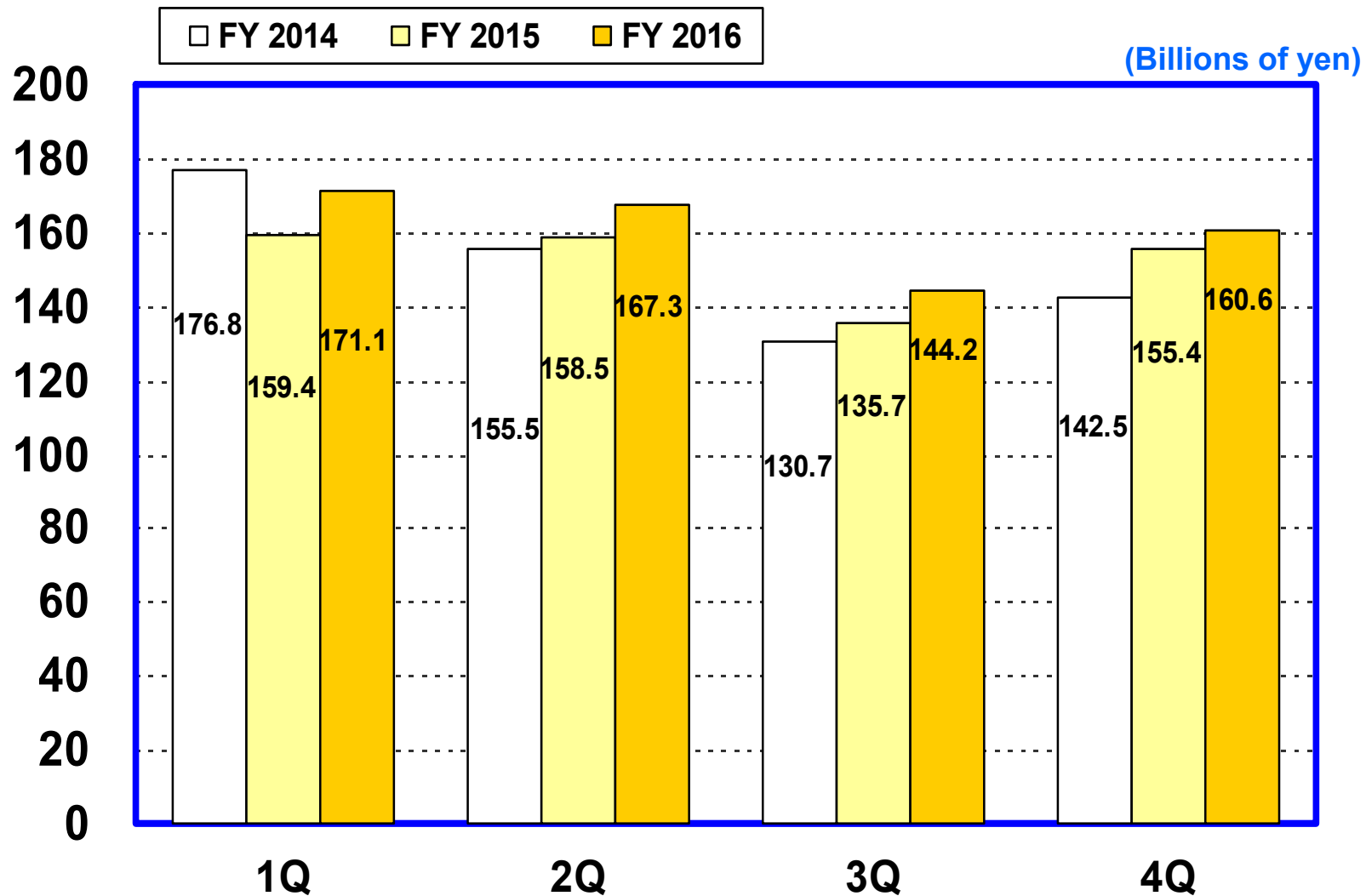


(Millions of yen)



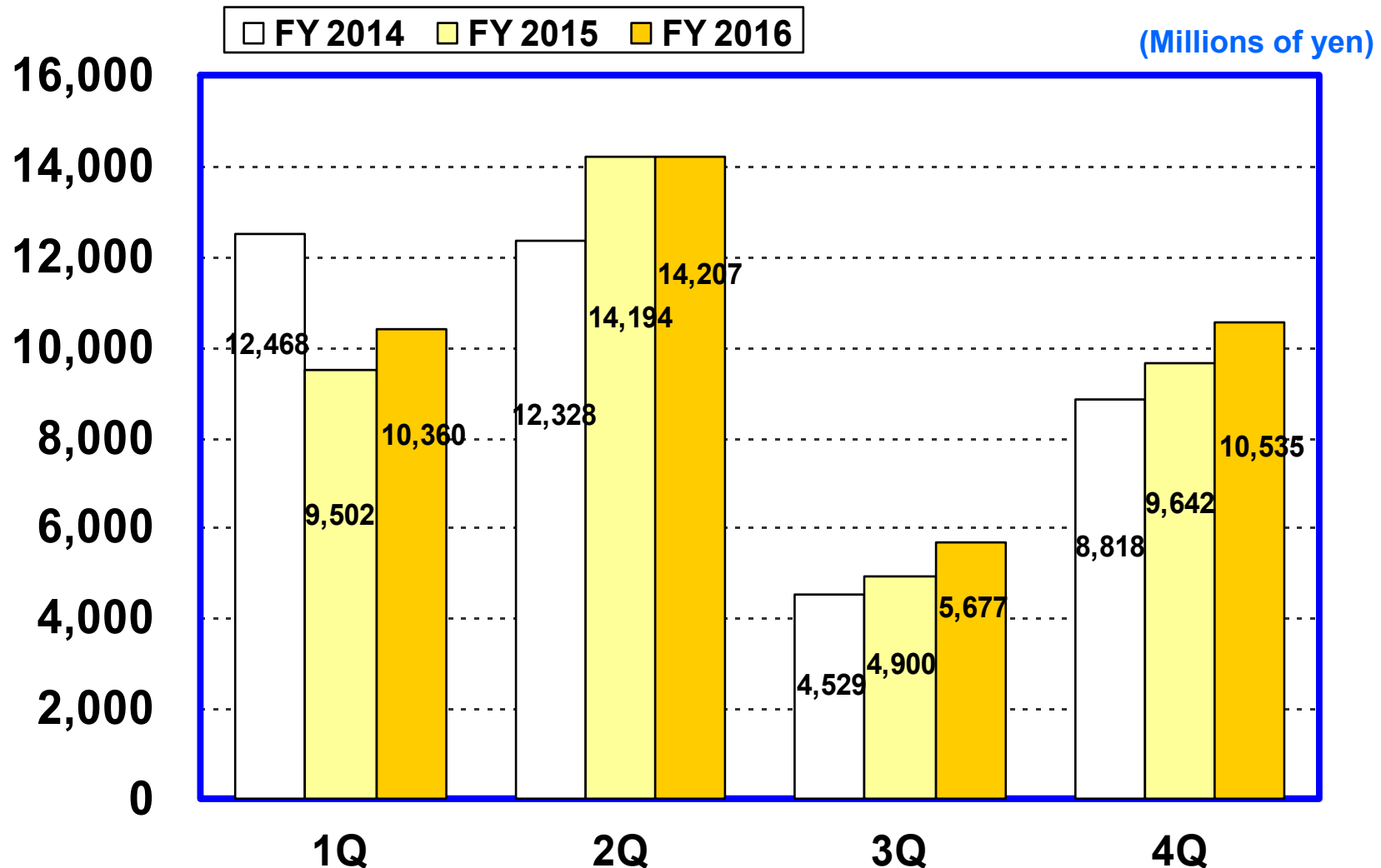
Consolidated

Quarterly change of Net sales



Consolidated

Quarterly change of Ordinary income



Summary of Business Results, October – December, 2016

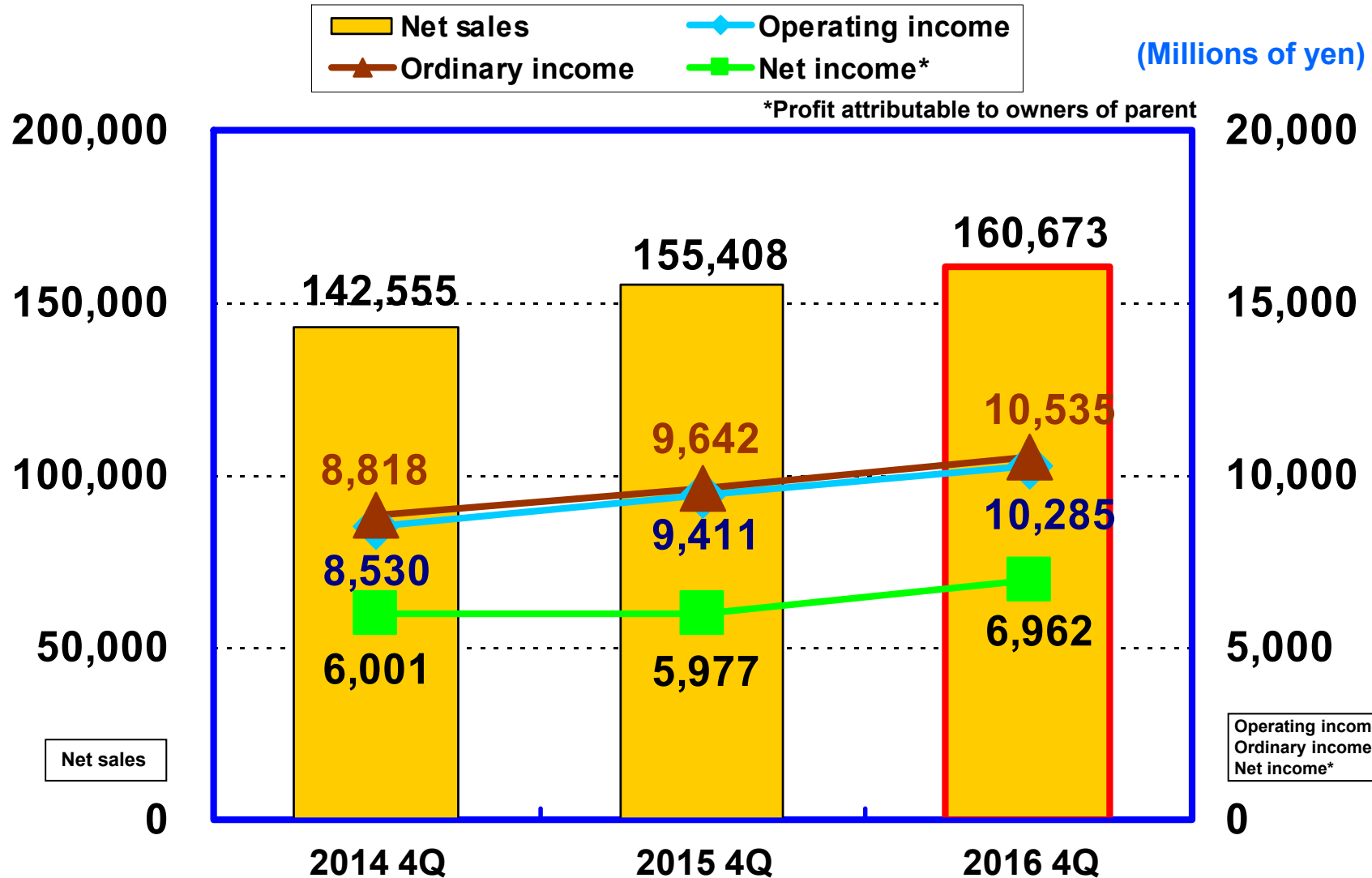
(Millions of yen)

	Consolidated		Non-Consolidated	
	Amount	Change to Last year	Amount	Change to Last year
Net sales	160,673	+3.4%	143,850	+0.7%
Operating income	10,285	+9.3%	9,264	+6.4%
Ordinary income	10,535	+9.3%	9,393	+5.9%
Net income*	6,962	+16.5%	6,287	+14.3%

*Profit attributable to owners of parent

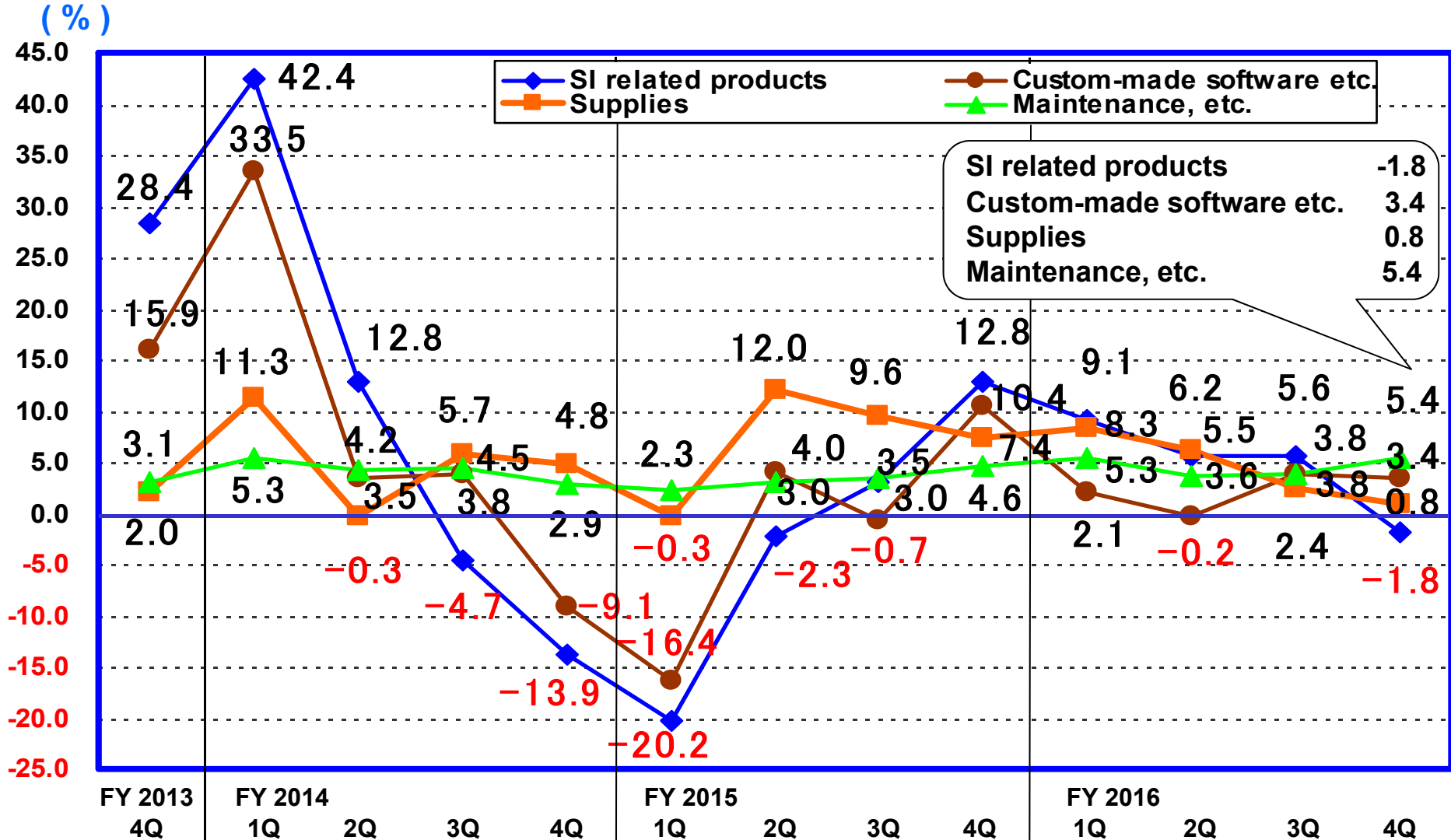
Consolidated

Net sales and Profits, October – December



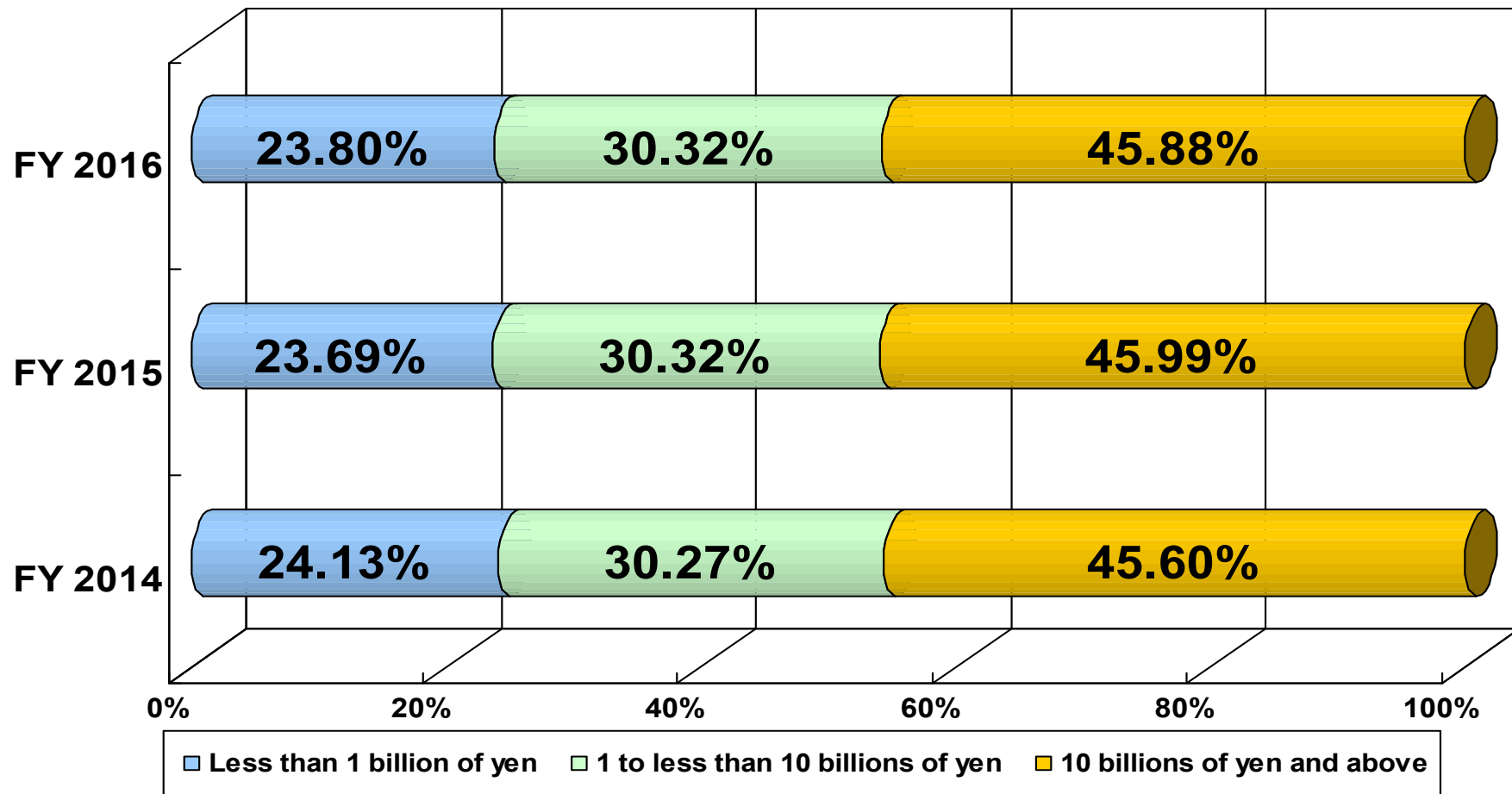
Non-Consolidated

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



Non-Consolidated

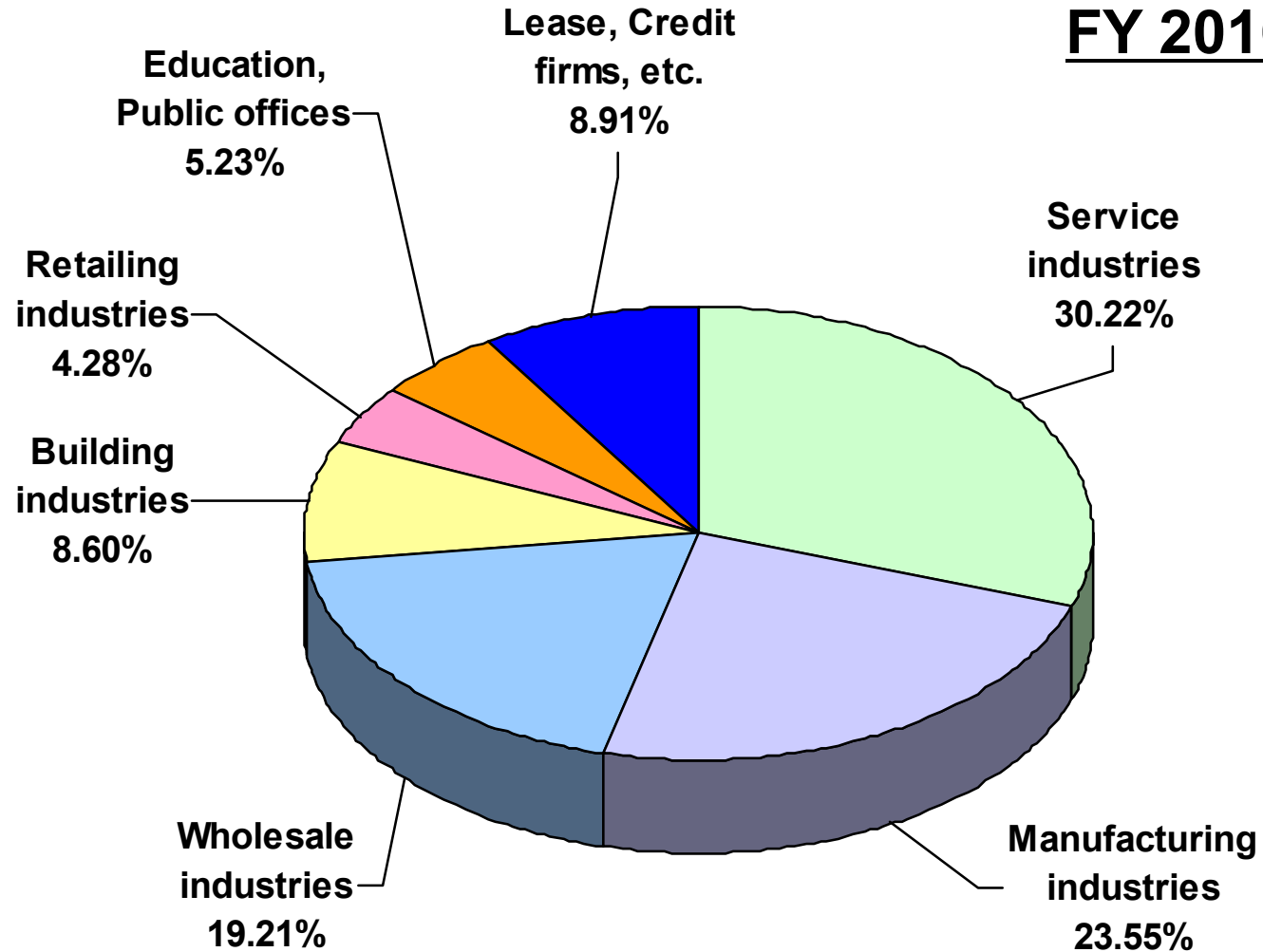
Net sales structure on customers' total annual business scale



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

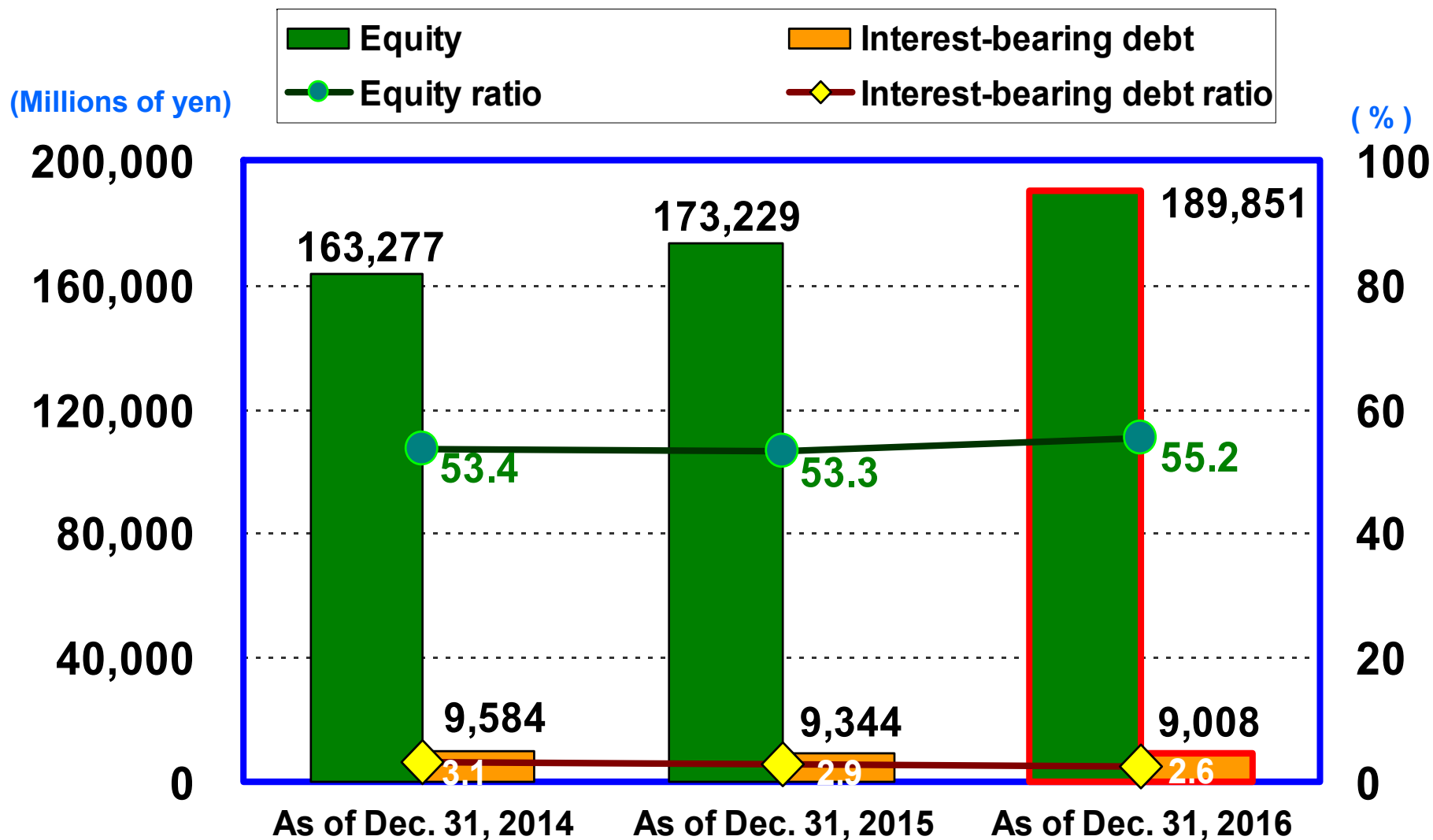
Sales breakdown by customers' type of industry

FY 2016



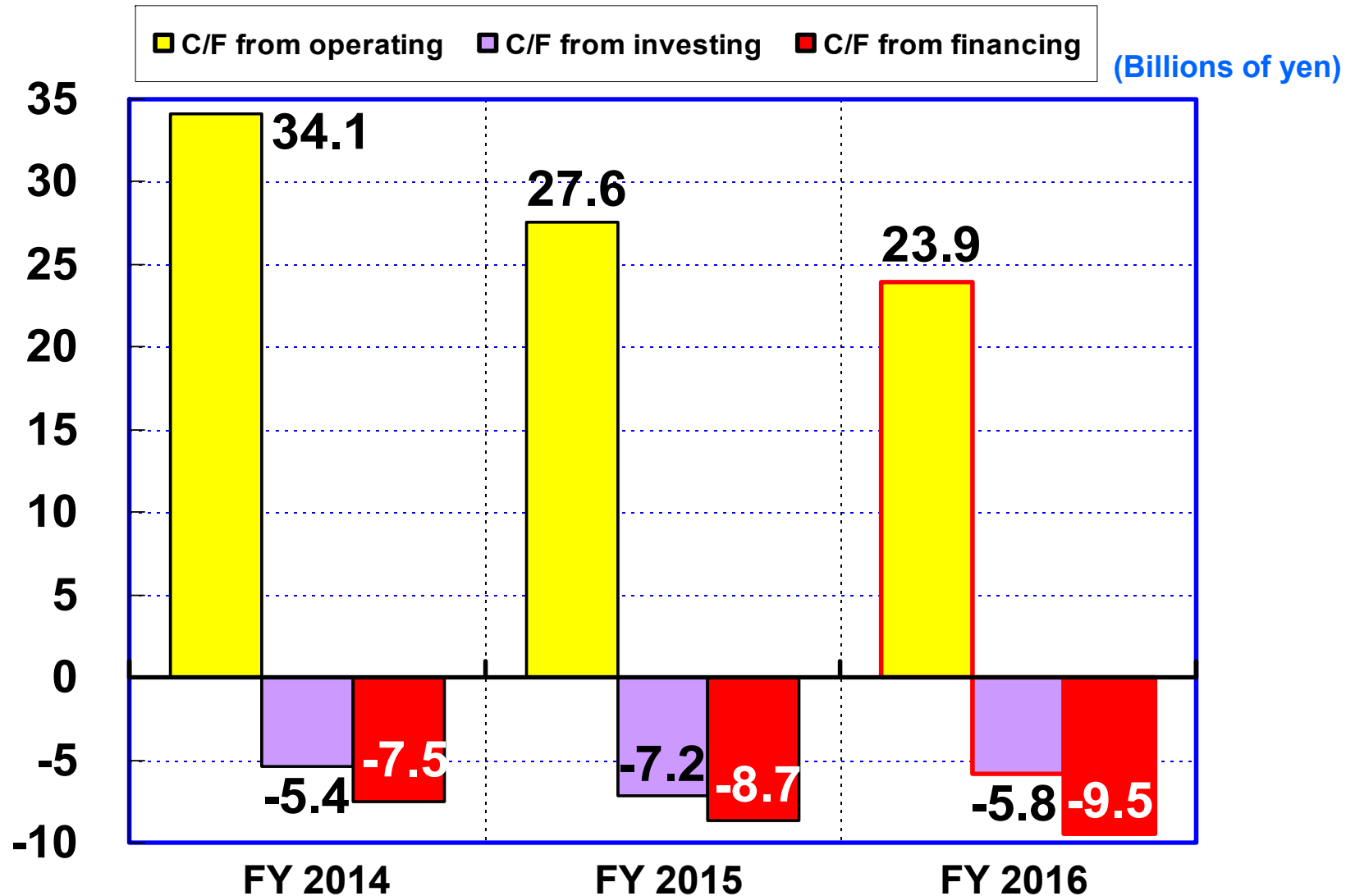
Consolidated

Equity and Interest-bearing debt



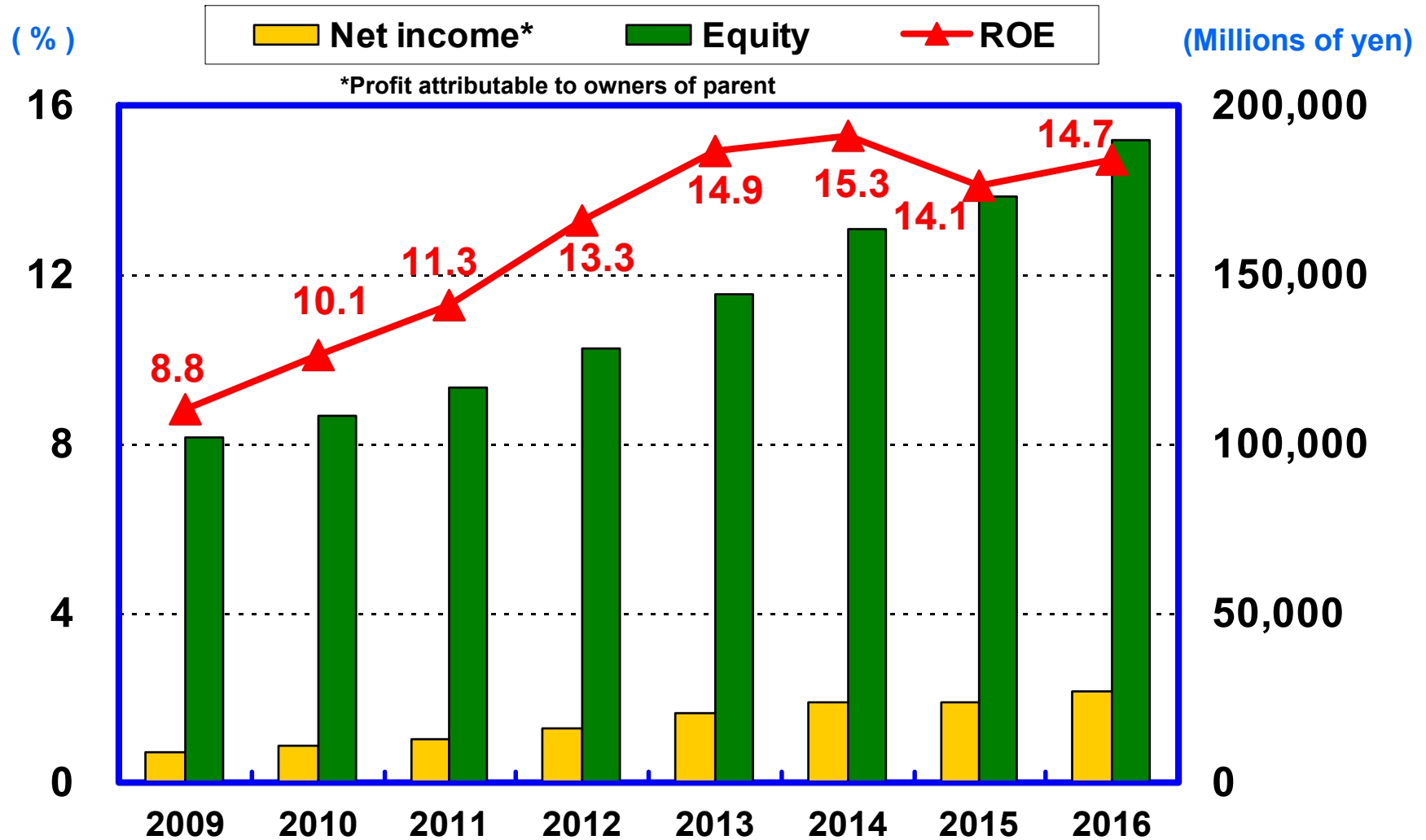
Consolidated

Cash flows



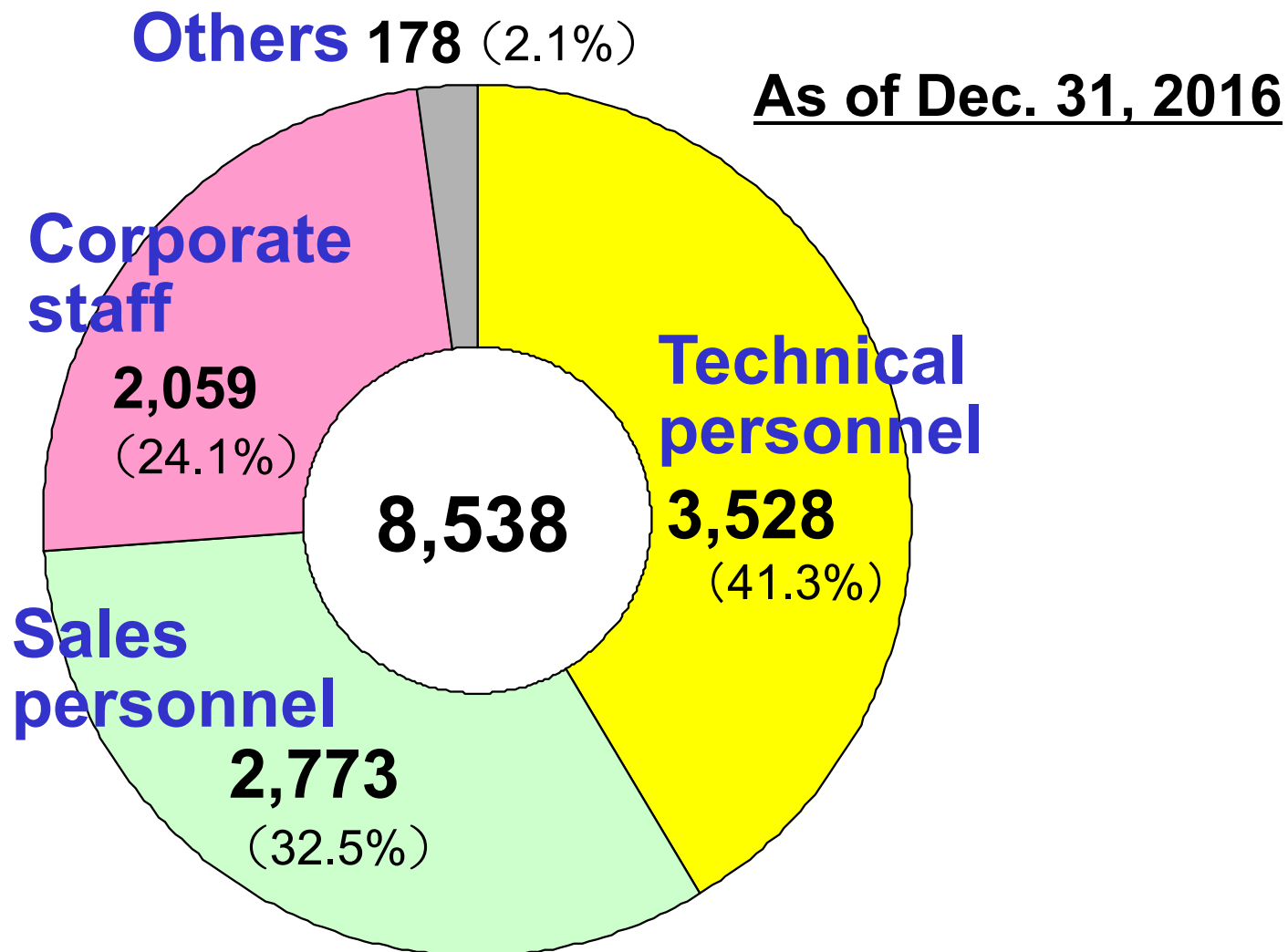
Consolidated

ROE



Consolidated

Personnel organization (regular employees)

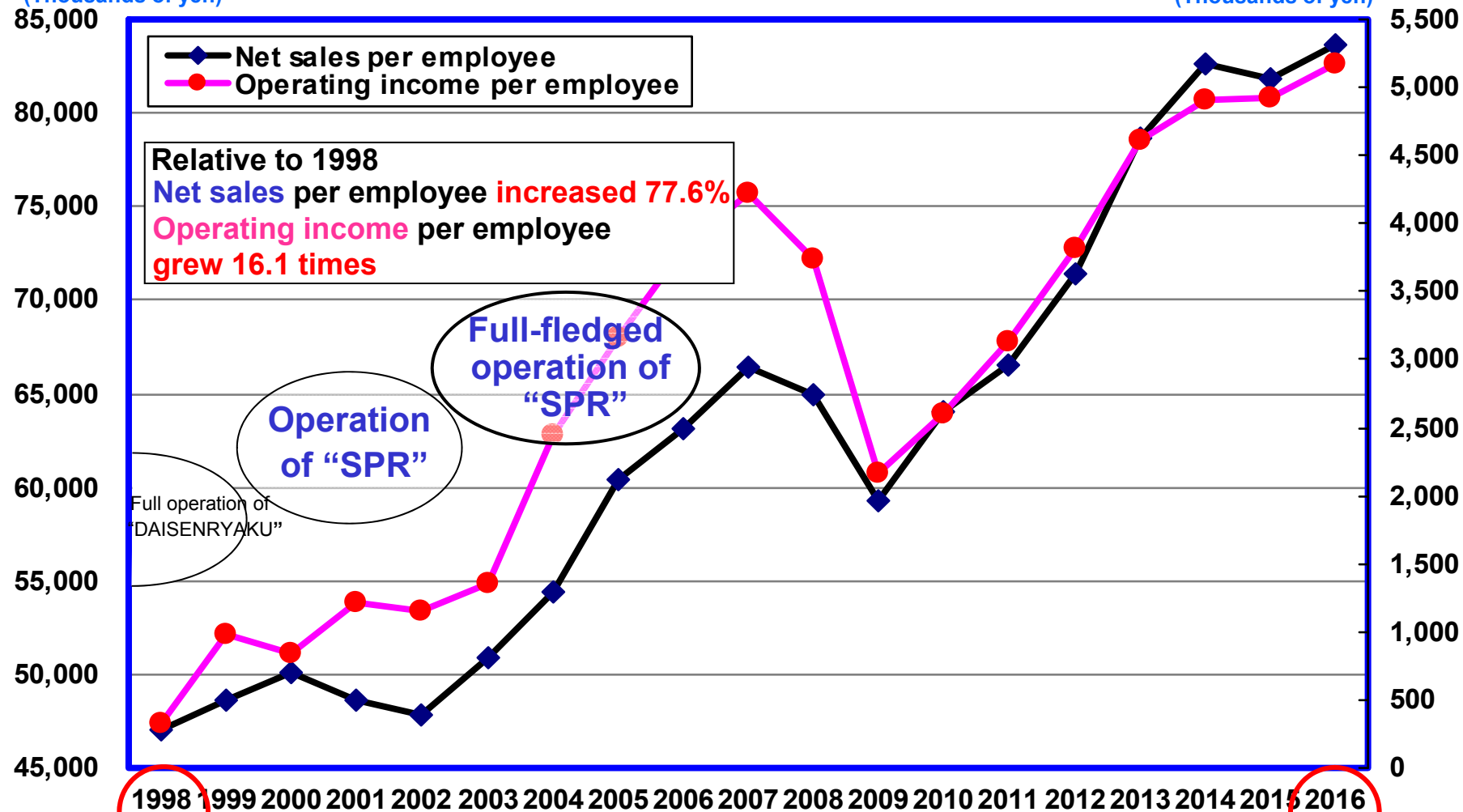


Non-Consolidated

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 6,621 1999 6,316 2000 6,272 2001 6,251 2002 6,236 2003 6,222 2004 6,294 2005 6,297 2006 6,379 2007 6,585 2008 6,736 2009 6,778 2010 6,760 2011 6,684 2012 6,638 2013 6,634 2014 6,758 2015 6,837 2016 6,985

(148 person increase from the end of the previous December) 18



Key strategic business

<Amount of Sales>

(Millions of yen)

	2014 Jan. – Dec.	2015 Jan. – Dec.		2016 Jan. – Dec.			2016 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”	128,733	139,106	+8.1%	146,046	+6,939	+5.0%	37,111	+443	+1.2%
SMILE	11,673	10,479	-10.2%	9,774	-705	-6.7%	2,749	-34	-1.2%
ODS21	43,575	46,196	+6.0%	51,746	+5,550	+12.0%	13,466	+1,814	+15.6%
OSM	50,836	59,831	+17.7%	67,937	+8,105	+13.5%	16,818	+1,050	+6.7%

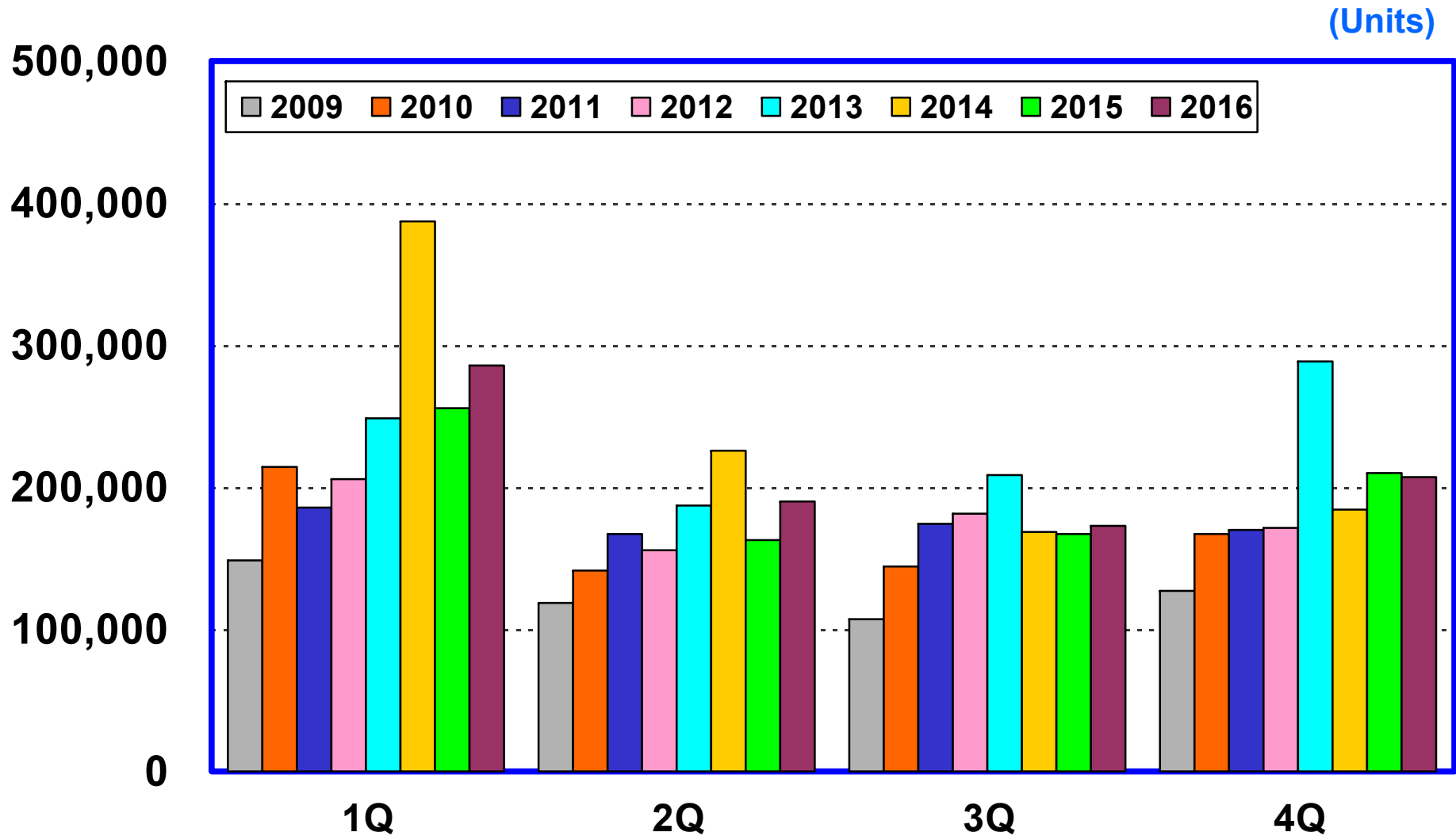
(ODS: Otsuka Document Solutions OSM: Otsuka Security Management)

<As reference: Number of Sales>

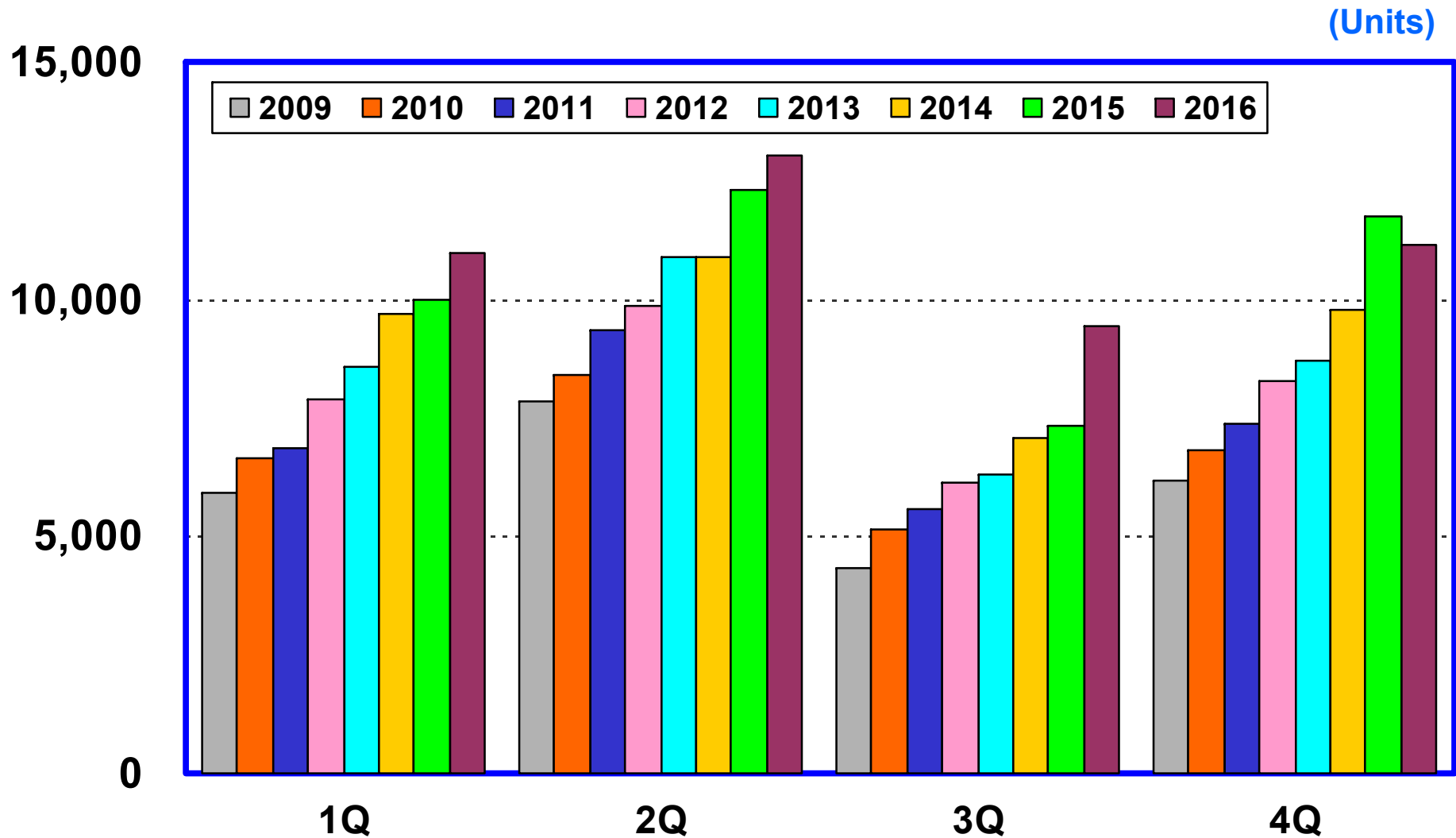
(Units)

Copier	37,392	41,384	+10.7%	44,583	+3,199	+7.7%	11,155	-594	-5.1%
(of which Color copier)	33,793	38,391	+13.6%	42,060	+3,669	+9.6%	10,703	-283	-2.6%
Server	39,467	37,718	-4.4%	32,917	-4,801	-12.7%	7,436	-529	-6.6%
PC	966,600	795,646	-17.7%	854,876	+59,230	+7.4%	206,913	-2,770	-1.3%
Client Total		847,320	-15.0%	904,393	+57,073	+6.7%	211,948	-13,382	-5.9%

Quarterly Number of PCs Sold

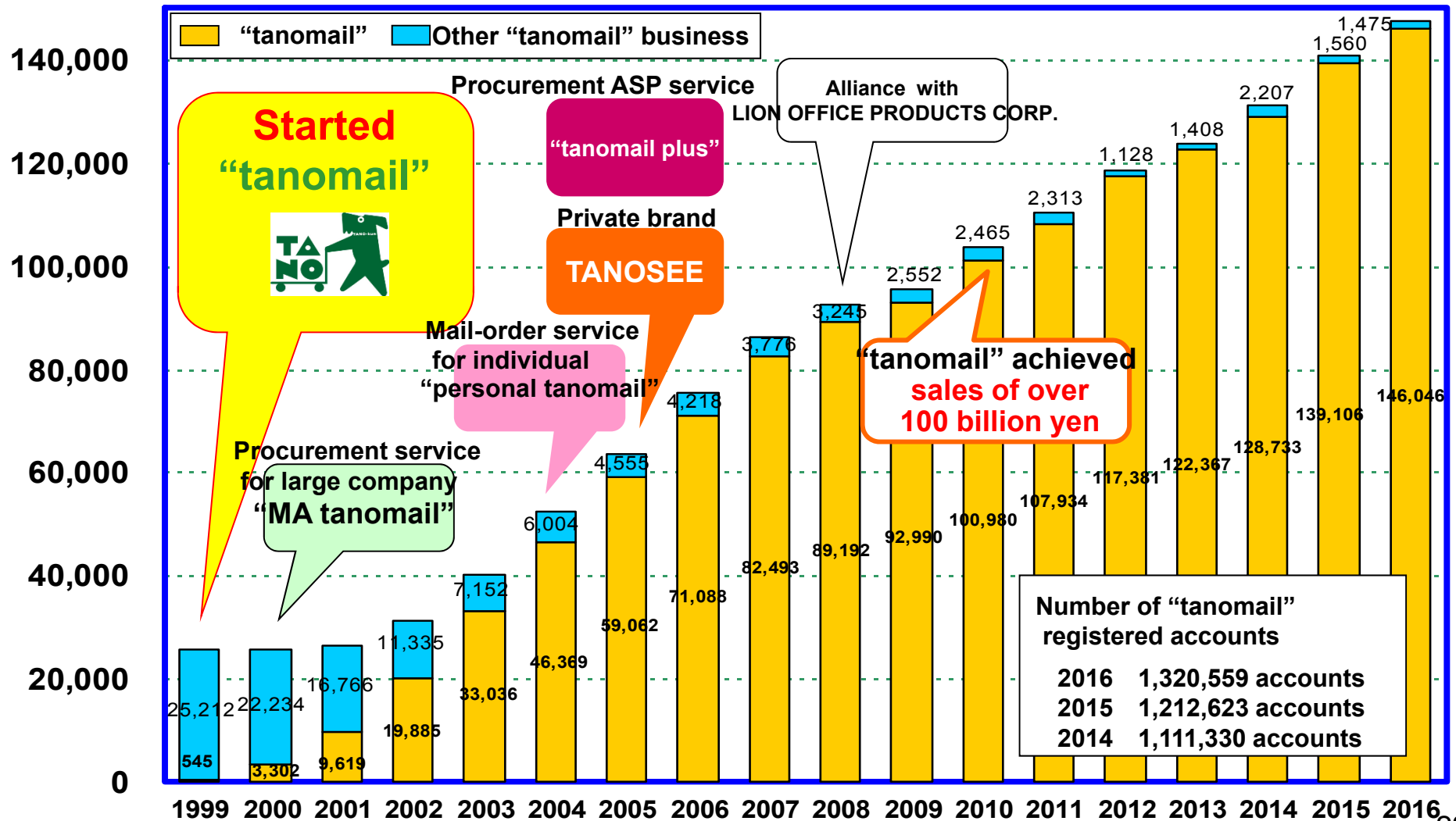


Quarterly Number of Copiers Sold



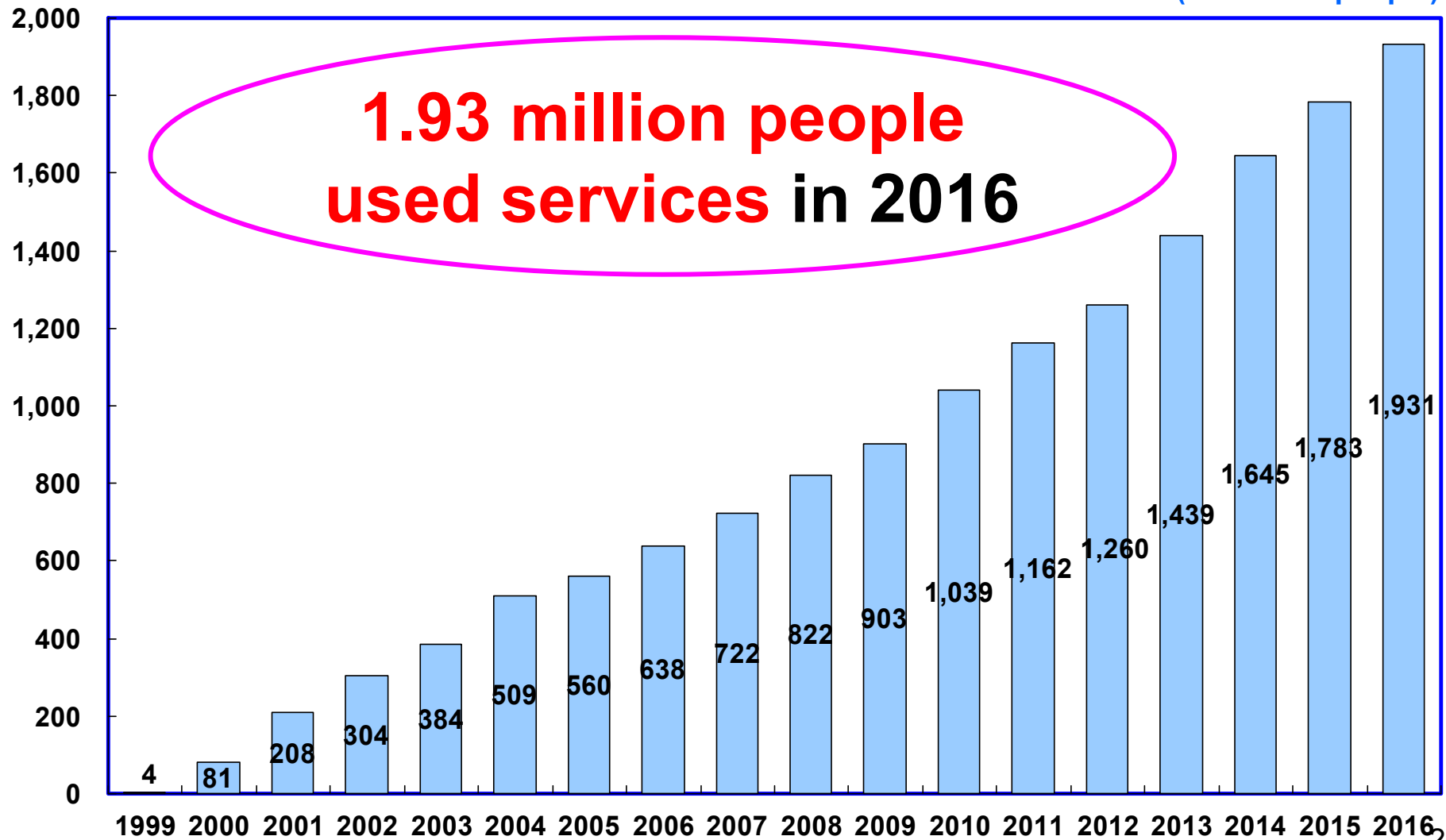
Annual sales transition of "tanomail"

(Millions of yen)

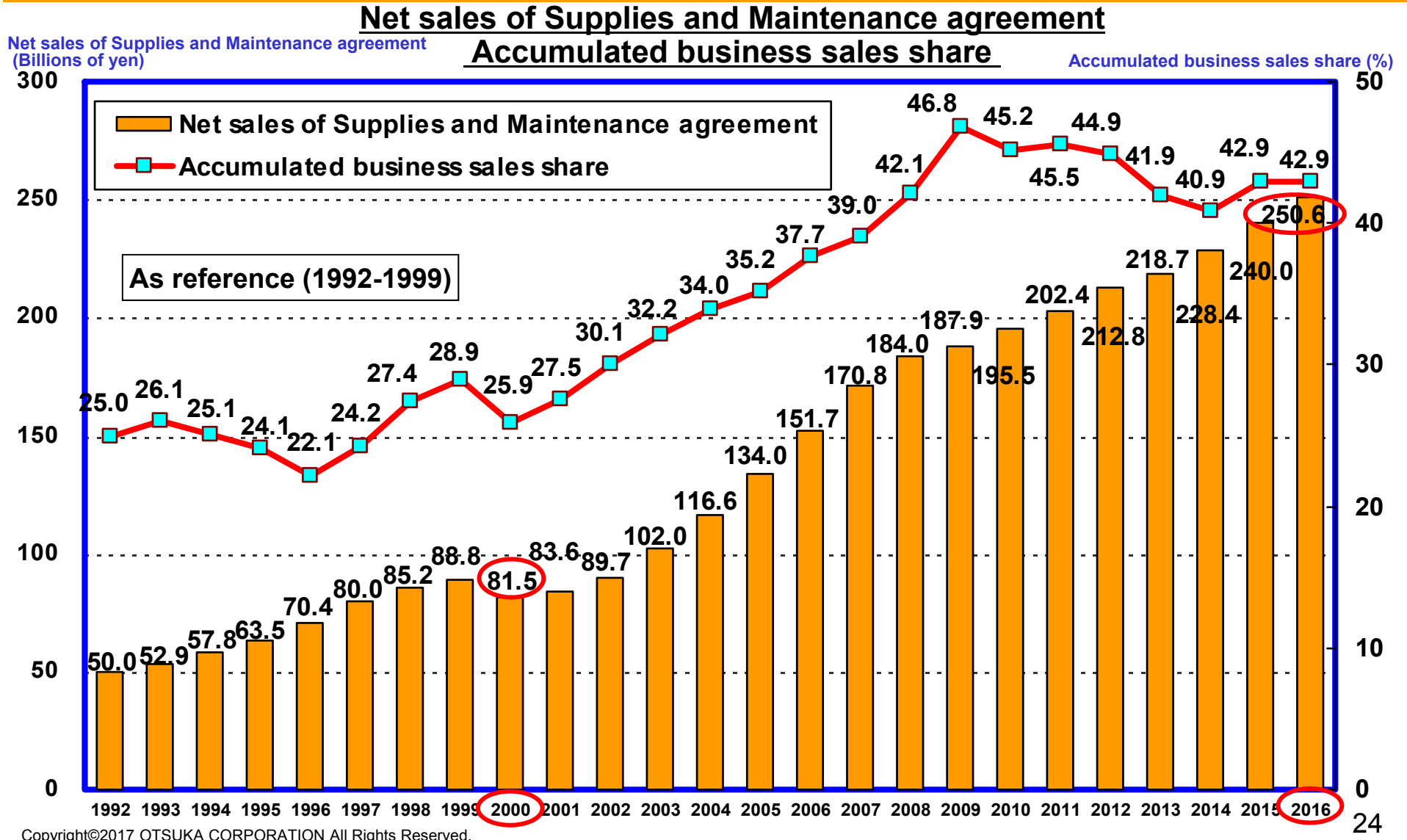


Number of Users of Main Web Services (ASP)

(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 2017

- **Continued moderate growth despite uncertainty in Japan and overseas**
- **Demand for aggressive IT investment, raising productivity and cost reductions**
- **Rising interest in new IT and IT application fields**
- **Spread of work style reform**
- **Strong demand by companies for IT utilization and energy-saving**

Policies and Measures in 2017

“Solve customer troubles on all fronts and live up to customer trust”

- **Strengthen on-site capabilities and customer contact points through business management led by local area sales groups**
- **Expansion of business items with customers and cross-selling**
- **Utilize IT to support work style reform**
- **Respond to the sophistication of security**
- **Strengthen initiatives for responding to new technologies**
- **Strengthening of optical communication lines and proposal of network solutions**

Operations Centered on Local area Sales Groups

Each Sales Group and Branch, Individual Slogans, Action Policies

August

営業部・広域支店スローガン一覧

営業部・広域支店	スローガン ～ サブタイトル ～	活動方針
中央第1営業部	複合ソリューション営業への加速 ～ 十字戦略始動！ ～	活動方針
中央第2営業部	実業を活動と実績で示す！(新潟県部・市場シェア拡大) ～ 個人が変わる→店舗が変わる→営業部が変わる ～	活動方針
神奈川営業部	営業部運営8か条を遵守し営業の王道の道を築く ～ 活動絶対量確保と案件化の標準を上げるマネージメントの推進 ～	活動方針
城野営業部	7月8月期新展開をベースに前半戦集中で通期予算と9月決戦の準備に入る ～ 厳しい状況でも強いのが大塚商会、その中で勝つて本物の最強軍団となる。 ～	活動方針
多摩営業部	目標を、ぶっ飛ばせキャンペーン ～ 仕事も遊びも一点懸命やって、この夏場を乗り切りましょう！！ ～	活動方針
城北営業部	新APBの立ち上げにより新規パーク店舗への開拓を作る ～ P/C部長・サブライ部長・保守増強・復旧に向けて ～	活動方針
北関東営業部	“営業の原点である新規コールを確やし、機変活動を強化して毎月予算、そして9月繁忙期に備えPP確保”すべての考えは市場にある！！ ～ 強みの複合販促で100万の案件を200万の案件にする創業工夫 ～	活動方針
京東営業部	実業と挑戦！！ ～ 多店舗、多拠点攻略で新規市場への挑戦 ～	活動方針
大阪北営業部	OT3ユーザー比率5%UPをお客様の信頼の証とする ～ 両面力UPとプロモパワーの最大活用でV8達成 ～	活動方針
大阪南営業部	工夫と効率(スピード)で最強で最高の営業部を創る ～ 成功したから楽しいんじゃない、楽しくやったから成功したんだ ～	活動方針
中部支店	新体制で成長力NO1の中部支店を創る！まずは四半期賞で！！ ～ 8月10日までを前期前半戦としてグループ毎の活動・見込・実績各項目の基準クリア一発する！！ ～	活動方針
札幌支店	本来あるべき姿の未来図を描き強い支店を創る。 ～ お互いに関心を持つ事で成功できるんだ ～	活動方針
仙台支店	オールウェイズ・ポジティブ！オールウェイズ・チャレンジ！ネバーギブアップ！ ～ 6守4攻から6守7攻へ！仙台支店の総合力で東北のお客様を元気にしよう！ ～	活動方針
京都支店	来年のメダル獲得に向け夏場加点を積み上げる ～ 夏場に強い京都支店からの脱却 ～	活動方針
神戸支店	営業の基本を創る！ 夏場は新規訪問で汗をかけ！ ～ お客様CS・新規サブライ・省電力LED・回収、保守基本を押さえる！部門間のチームワークが複合販売の鍵となる。 ～	活動方針
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九州支店	8月上旬まで達成で自信と笑顔を取り戻す ～ 達成の先にあるものを全員で見よう ～	活動方針

実績進捗グラフ(8月31日時点)

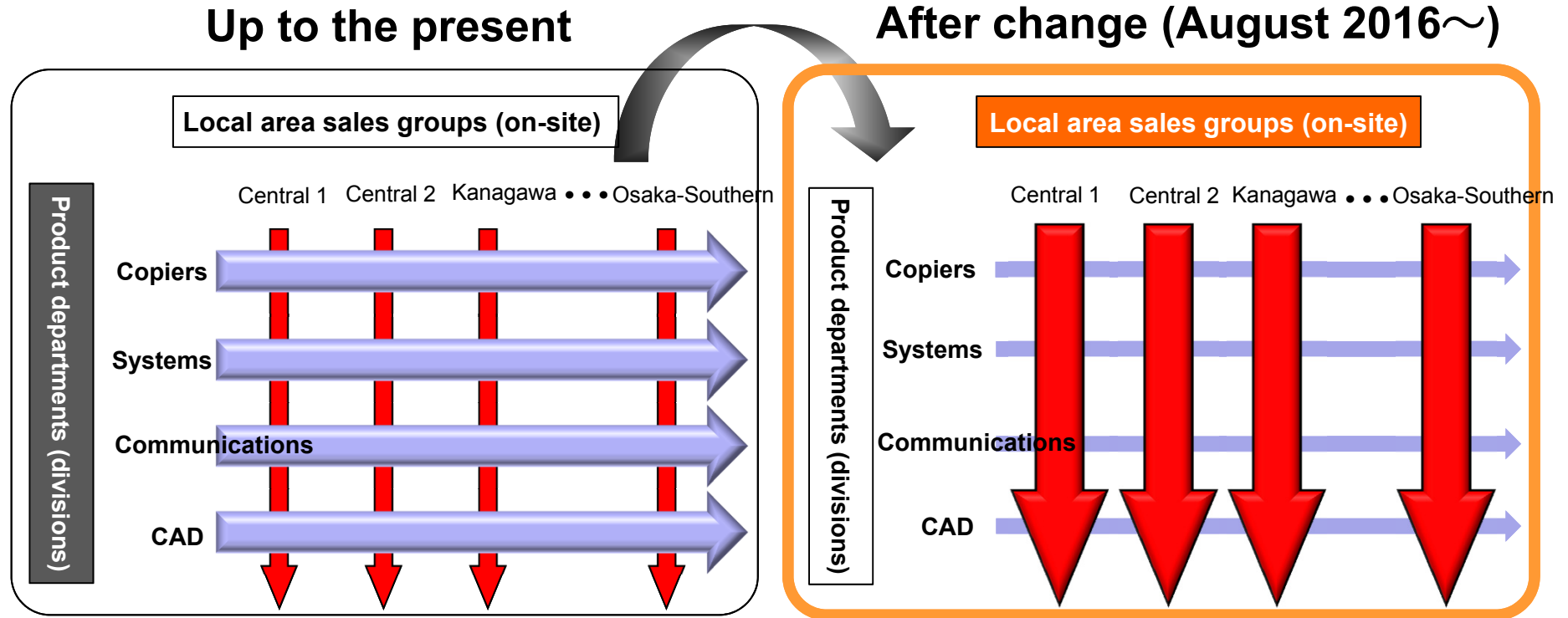
September

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城野営業部	新展開活動は継続し、クロス情報の質をアップで四半期に挑戦 ～ 『動を見て木を見ず、業を見て木を見ず』お互いもっと考えて仕事しよう。 ～	活動方針
多摩営業部	“金更り”で機変をぶっ飛ばせ、四半期を終わる！！ ～ SIGと、たのびのびと汗を流す、言い訳無用で必ず走り切る！！ ～	活動方針
城北営業部	新APBの立ち上げにより新規パーク店舗への開拓を作る ～ P/C部長・サブライ部長・保守増強・復旧に向けて ～	活動方針
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京都支店	コミットの先に自分達の未来がある！ ～ まずは体験キャラバンで成果を上げよう ～	活動方針
神戸支店	営業の基本を創る！ 夏場は新規訪問で汗をかけ！ ～ お客様CS・新規サブライ・省電力LED・回収、保守基本を押さえる！部門間のチームワークが複合販売の鍵となる。 ～	活動方針
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九州支店	常にスピード感を持って新たな実業にチャレンジ ～ 達成の先にあるものを全員で見よう ～	活動方針

実績進捗グラフ(9月29日時点)

Shift from Division-Led to On-Site-Led Sales Structure



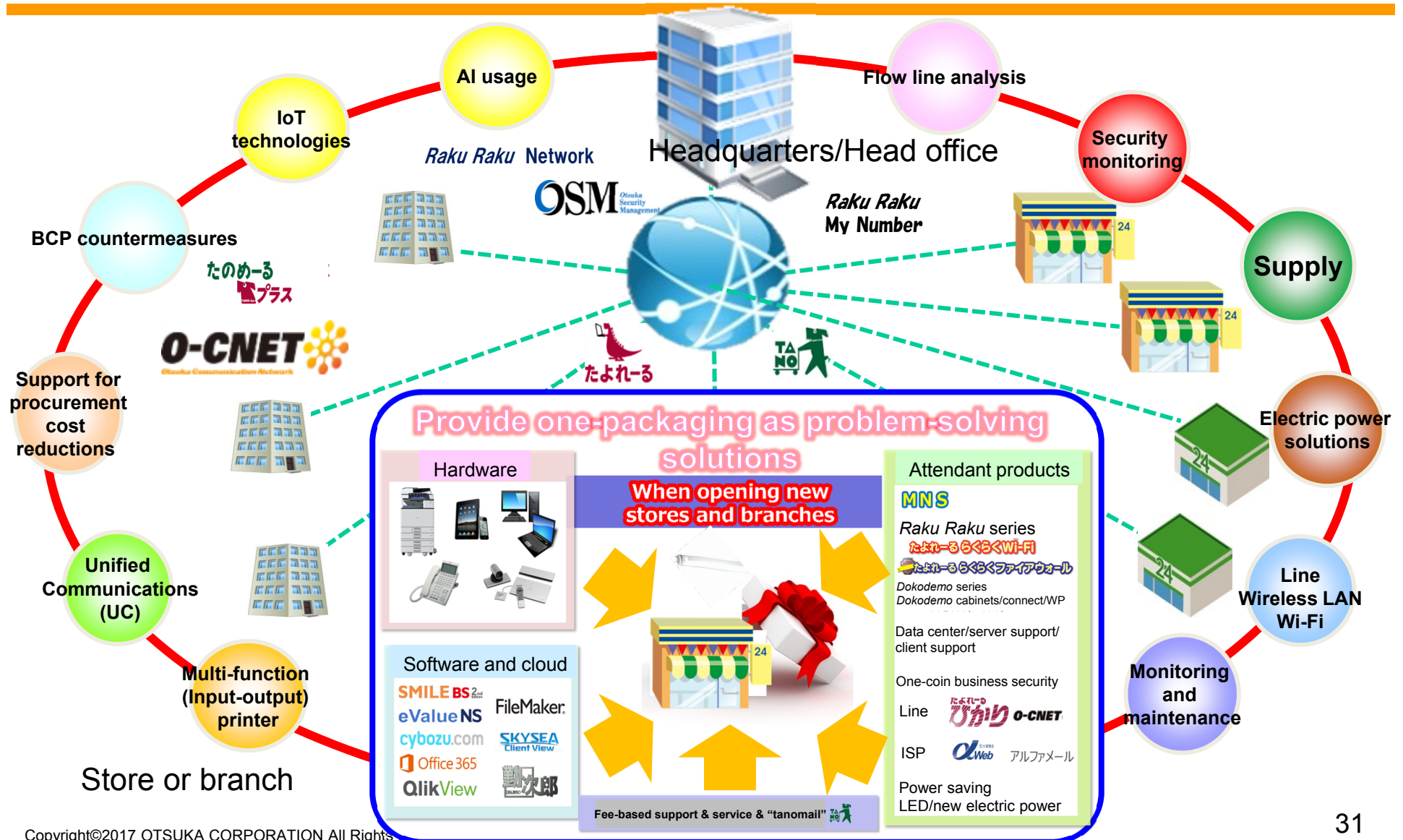
Change from product-based to regional-based on-site business management to get close to customers

Respond to the different needs of each region

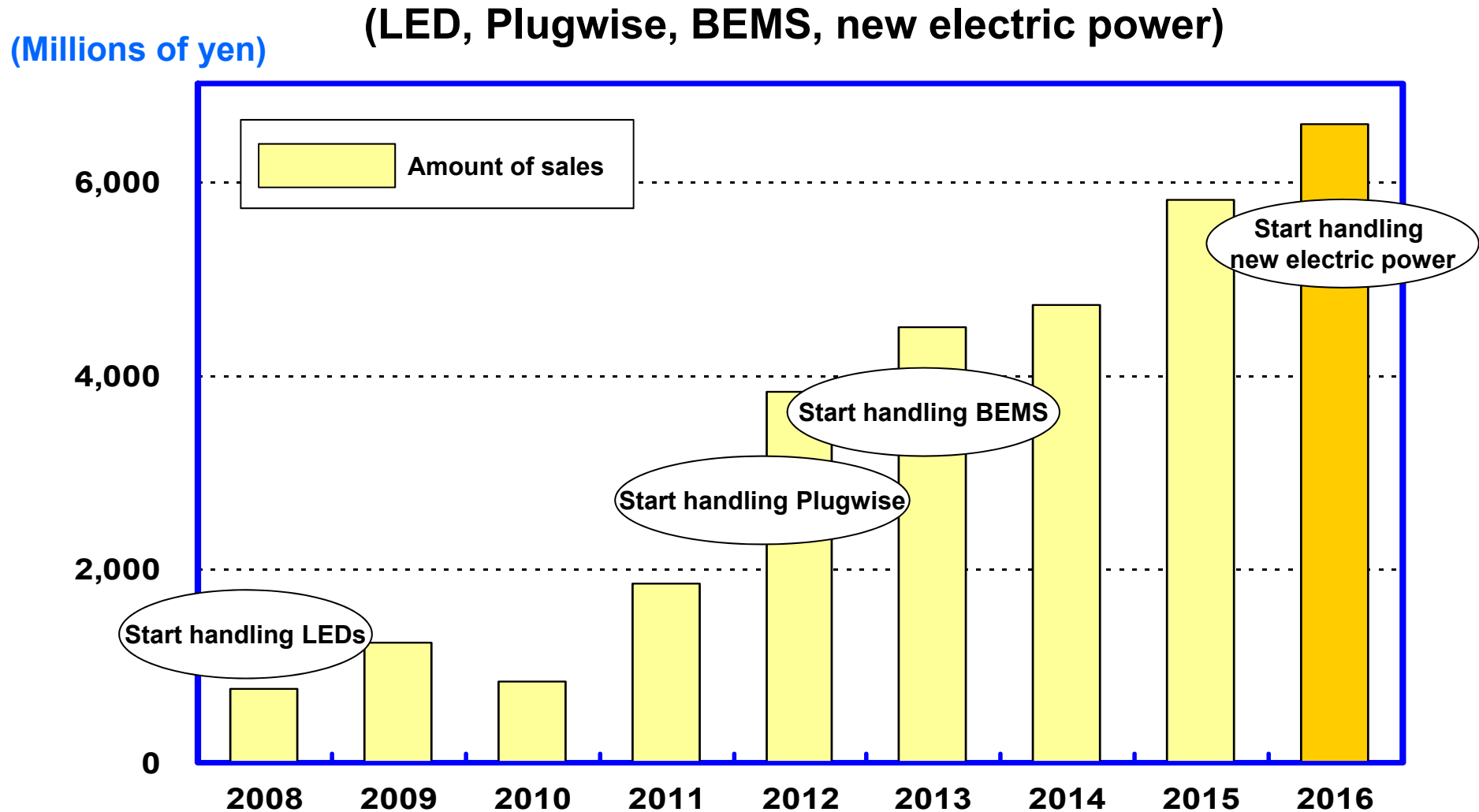
Sales Group Managers will become **“Regional Presidents”**

“The answer is on-site at each location”

Initiatives for Companies with Multiple Stores or Multiple Locations



Sales Results for Electric Power-Related Solutions



Solutions for Reducing Overtime Work

- Tokyo Metropolitan Government Office also turned off all lights at 8pm starting in September 2016
- Movement by companies as well to turn off all lights at once in entire buildings
- Japanese government set up the “Council for the Realization of Work Style Reform”

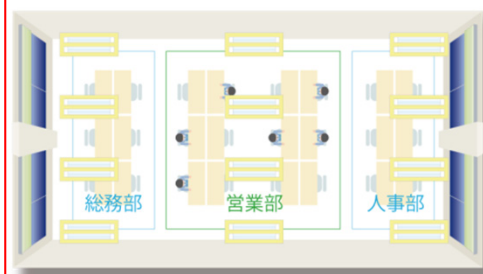


Current social trend is to “Promote a reduction of overtime work and return home on time”



Overtime work reduction solution introduced by Otsuka

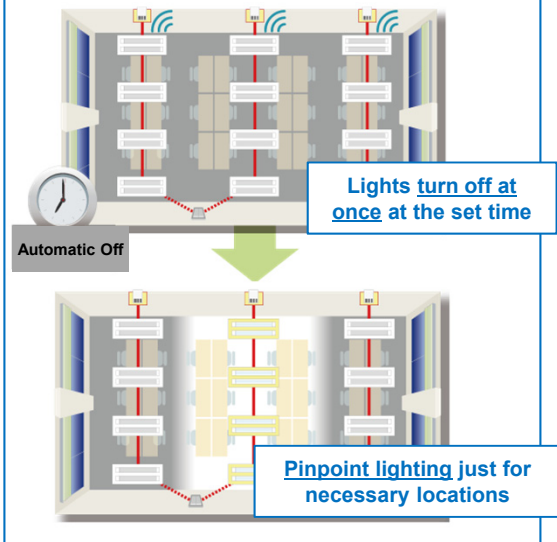
BEFORE



- ✓ Just can't seem to return home because of socializing overtime
- ✓ Overtime payments were mounting and that was difficult.

Can be purchased at a low price with no need for large-scale installation work!

AFTER



Industry type: Construction industry (tenant)

- Wish to improve increasingly chronic long working hours
- Wish to save on soaring electricity bills
- **Reduced overtime hours by approximately 8%**
- **Reduced electric power consumption by approximately 20%**

“We also immediately resolved the problem of sharply rising office electricity costs resulting from long working hours.”
 “This is a good solution for reducing overtime hours in a natural way that is also good for the company and for employees.”

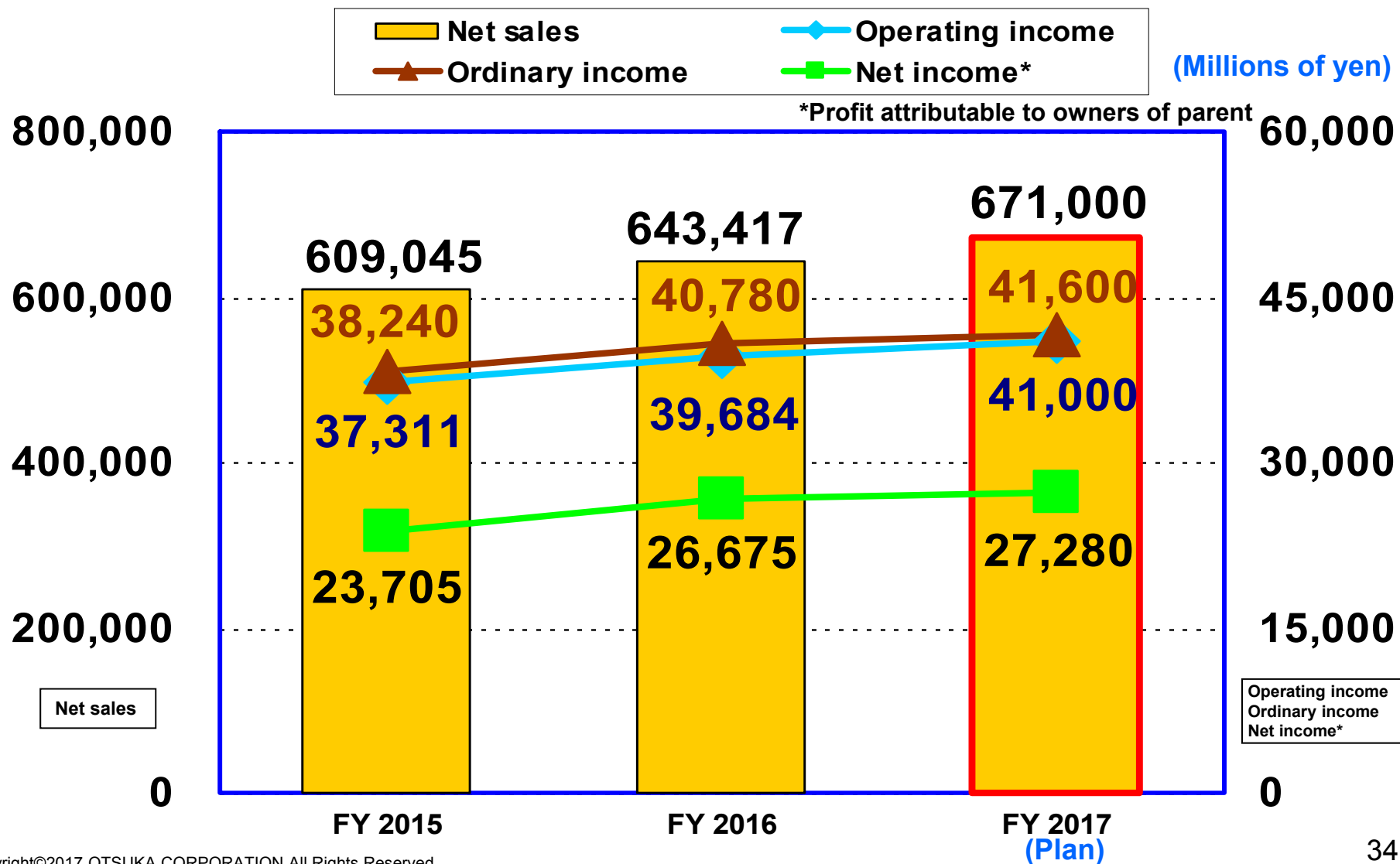
Industry type: Apparel industry (company's own building)

- Wish to improve life-work balance for employees by reducing overtime work
- Wish to reduce energy consumption
- **Overtime hours that extended into the middle of the night → 8pm**
- **Reduced electricity bill by approximately 20%**

“It's a lot easier now because lights we previously turned off manually are now turned off automatically.”
 “A growing number of people are leaving the office at a set hour and the workplace environment has also improved.”

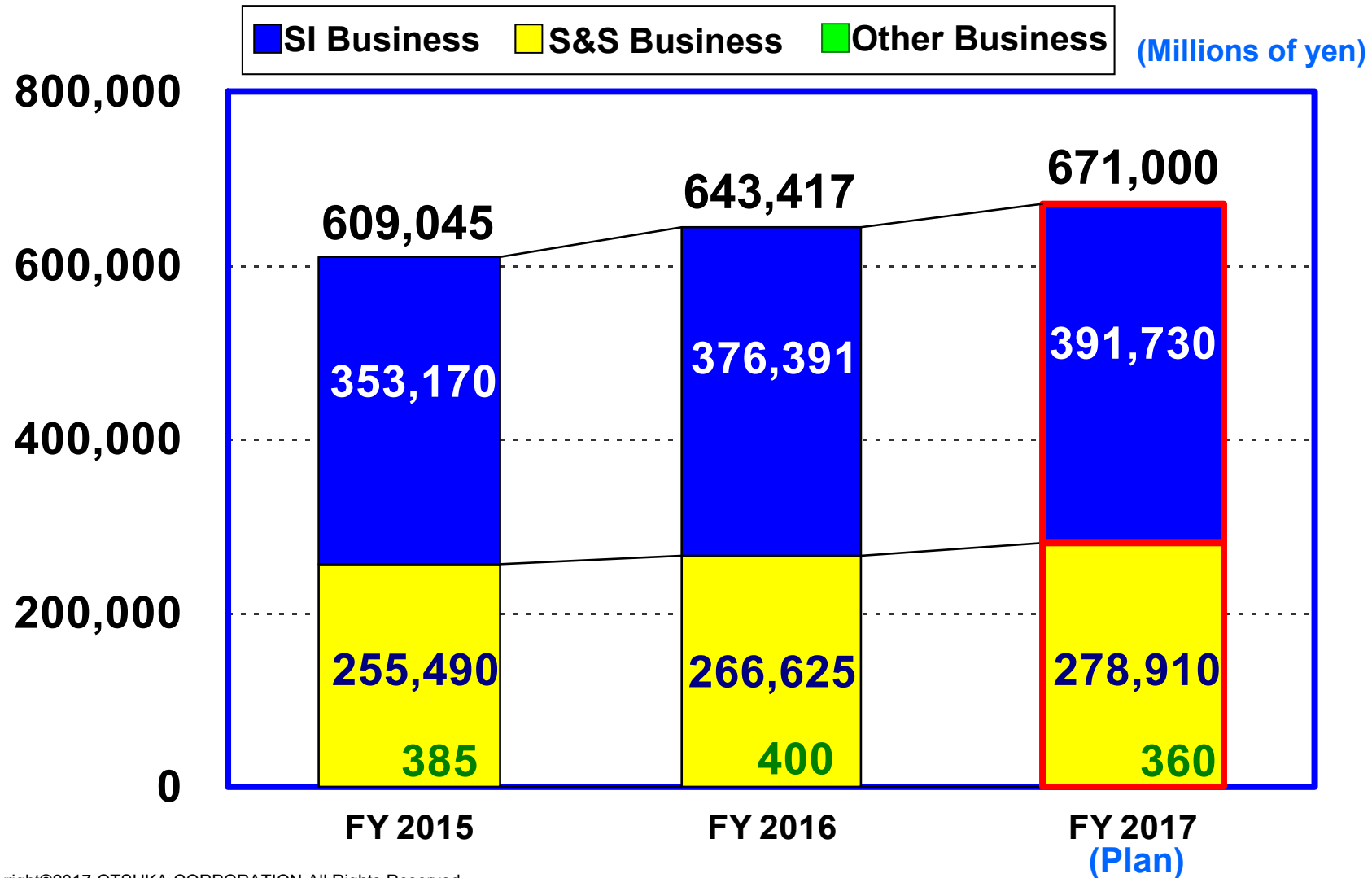
Consolidated

Plans of Net sales and profit



Consolidated

Plans of Net sales by segments



Jissen (Practical) Solution Fair 2017





Cautionary statement

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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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