

# Overview of Consolidated Operations

## ■ Economy Picking Up, But Still Faces Harsh Conditions

During the fiscal year, increased exports and production spurred a pickup in the Japanese economy, as business confidence improved in certain areas and corporate bankruptcies diminished. Nevertheless, the resiliency of the recovery was weak owing to sluggish domestic demand and deflation, and harsh economic conditions persisted throughout the fiscal year. Additionally, companies continued to curb investments in facilities and equipment as well as IT investments.

## ■ System Proposals that Lead to Cost Reductions, Improvement of Productivity and Strengthening of Competitiveness

Amid this environment, the OTSUKA Group carried out its operations under the fiscal 2009 slogan of “Vitalize office via IT and live up to customers’ trust.” In keeping with this slogan, we worked to strengthen our community-based sales structure while firmly ascertaining the circumstances of our customers and their IT investment needs. We also actively proposed systems for helping to solve management issues facing customers, namely, achieving cost reductions, improving productivity and strengthening competitiveness. Additionally, we focused on undertaking a campaign to commemorate the 10th anniversary of our “tanomail” office supply mail-order service business as well as on offering low-priced, fixed-line telephone services, as we proactively worked to expand business with existing customers while also cultivating new customers.

### External Environment

Economy is starting to pick up but is still facing harsh conditions.

Exports and production are picking up; however, the resilience is weak due to a decline in domestic demand.

Business confidence improved in certain areas and corporate bankruptcies are diminishing.

Medium- and small-sized companies still facing harsh conditions.

Companies are continuously cutting back on investment in facilities and equipment.

Despite the need for IT utilization, IT investments are continuously being curtailed.

### OTSUKA Group’s Activities

- System proposals that lead to cost reductions, improvement of productivity and strengthening of competitiveness
- Enhancement of community-based sales structure
- 3 major campaigns
- Focus on “tanomail”
- New business activities

## ■ Sales Down 8%, Approximately 40% Decline in Respective Profit Categories

As a result of the preceding circumstances, despite an increase in the number of customers during the year, sales per customer declined from the previous fiscal year and net sales decreased 8.0% to ¥429,927 million.

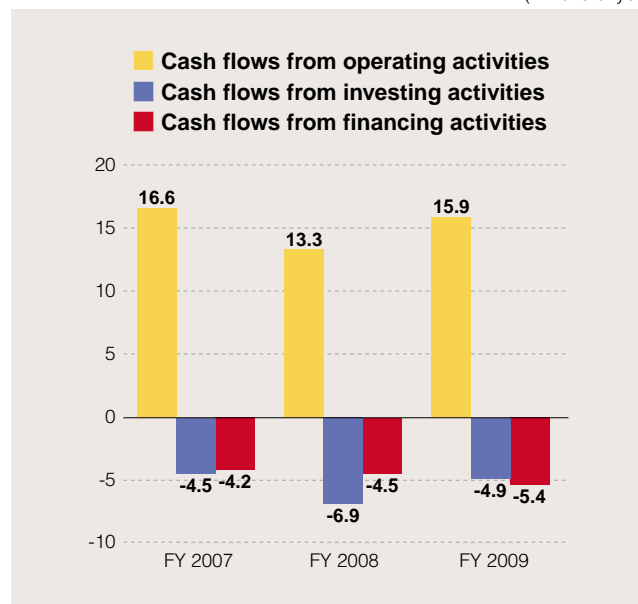
Turning to profits, gross profit declined due to lower sales and a decrease in the gross profit margin, and despite efforts to curb selling, general and administrative (SG&A) expenses, operating income declined 40.6% to ¥16,094 million, ordinary income decreased 40.5% to ¥16,427 million and net income was down 38.9% to ¥8,782 million.

(Millions of yen)

	FY 2008	FY 2009	
	Amount	Amount	Change to Last Year
Net sales	467,154	<b>429,927</b>	<b>-8.0%</b>
Operating income	27,089	<b>16,094</b>	<b>-40.6%</b>
Ordinary income	27,628	<b>16,427</b>	<b>-40.5%</b>
Net income	14,371	<b>8,782</b>	<b>-38.9%</b>

## ■ Cash flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥15,982 million, an increase of ¥2,635 million from the previous fiscal year, due to a decrease in income taxes paid.

Net cash used in investing activities declined ¥2,033 million from the previous fiscal year to ¥4,927 million due to a decrease in payments for purchase of investments in securities.

Net cash used in financing activities increased ¥826 million to ¥5,417 million.

## Overview of Results by Quarter

### ■ Net Sales

Net sales expanded steadily to the second quarter (April-June) of 2008, but turned downward from the third quarter (July-September).

Net sales in the third quarter (July-September) of 2009 amounted to ¥93,763 million, a 9.6% decrease from the previous third quarter. Net sales in the fourth quarter (September-December) of 2009 amounted to ¥108,003 million, 2.1% lower than in the previous fourth quarter.

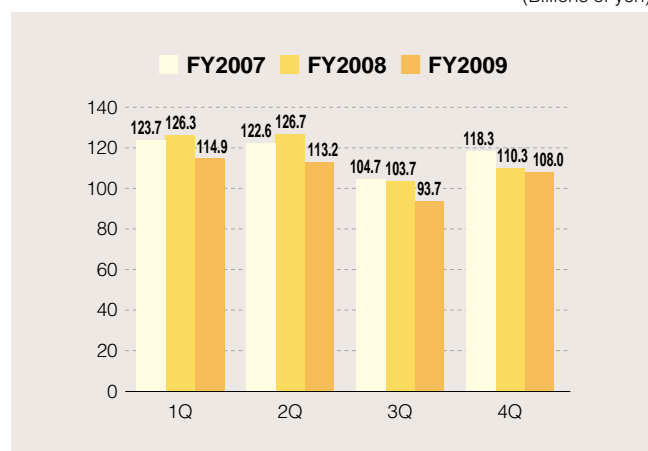
### ■ Ordinary Income

Ordinary income also increased steadily to the second quarter (April-June) of 2008, but began decreasing from the third quarter (July-September).

Ordinary income in the third quarter (July-September) of 2009 amounted to ¥1,221 million, down 61.4% from the previous third quarter. Ordinary income in the fourth quarter (September-December) of 2009 amounted to ¥3,959 million, down 26.8% from the previous fourth quarter.

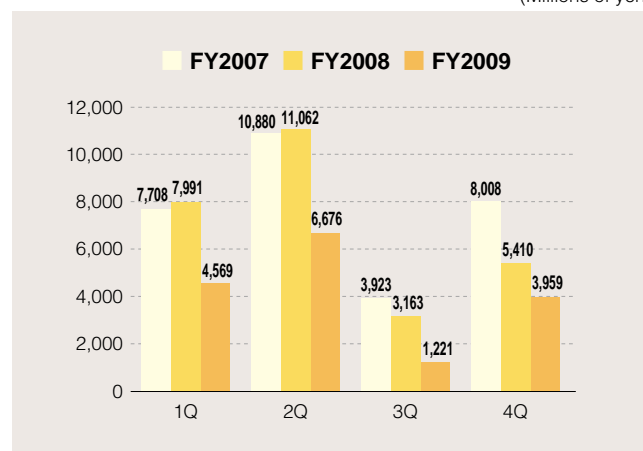
### Quarterly Net Sales

(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. During the fiscal year, sales of SI-related products declined sharply owing to the adverse effects of curtailments in IT investments by companies. Consequently, net sales in the System Integration business declined 14.9% to ¥226,688 million.

### ■ 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.

With companies continuing to reduce expenses, our “tanomail” office supply mail-order service business steadily secured an increase in sales due in part to the effects of the implementation of a sales campaign. On the other hand, our “tayoreru” support business recorded sales at a level only slightly above the amount of the previous fiscal year, as customers re-evaluated the contents of their service contracts and cut back on the use of copies.

As a result, net sales in the Service and Support business rose 1.1% to ¥200,938 million.

### ■ Other Business

In the Other business, net sales increased 20.1% from the previous fiscal year to ¥2,300 million.

### Net Sales by Segments

(Millions of yen)

