

# Overview of Consolidated Operations

## ■ Japanese Economy on a Mild Recovery Track

During the fiscal year, the Japanese economy moved onto a mild recovery track led by external demand, while corporate earnings improved and the number of corporate bankruptcies declined, as positive signs emerged in the economy. Nevertheless, the Japanese economy remained at a standstill from summer onward due to the impact of the rapid appreciation of the yen and deflation, and such factors as instability in overseas economies.

## ■ Stimulating Corporate IT Investment

Within this environment, based on our fiscal 2010 slogan “Live up to customers’ trust via IT and vitalize office,” we actively proposed support and systems for helping solve issues facing customers, such as achieving cost reductions and raising productivity, as part of efforts to spur corporate IT investment.

Additionally, under our fortified community-based sales structure, we worked to strengthen customer contact by bolstering efforts to visit customer focused on small- and medium-sized companies and raising our sales skills and customer proposal capabilities.

Among these efforts, we focused on demand for replacement and upgrade systems, centering on hardware, as well as on our “tanomail” office supply mail-order service business, and strived for an increase in sales volume. At the same time, we made efforts to strengthen our accumulated business that included securing maintenance business and upgrading and expanding packaged products and services encompassing hardware, information security, Internet services and communications lines that will immediately benefit our customers’ businesses.

### External Environment

Economy is on a mild recovery track

Global economy is on a slow recovery track.

The yen remained at a high level and exports weakened.

Signs of bottoming out in production.

Decrease in the number of corporate bankruptcies.

Gradual pick up in investment in facilities and equipment.

IT investments are starting to pick up centering on demand for replacement and upgrade.

### OTSUKA Group’s Activities

- System proposals that lead to cost reductions, improvement of productivity and strengthening of competitiveness
- Strengthening of customer contact and frontline
- Strengthening of accumulated business
- Focus on “tanomail”
- New business activities

## ■ Increased Revenues and Profits for the First Time in Three Fiscal Years

As a result of the preceding developments, the number of customers and sales per customer both increased over the previous fiscal year, and net sales rose 7.8% to ¥463,493 million.

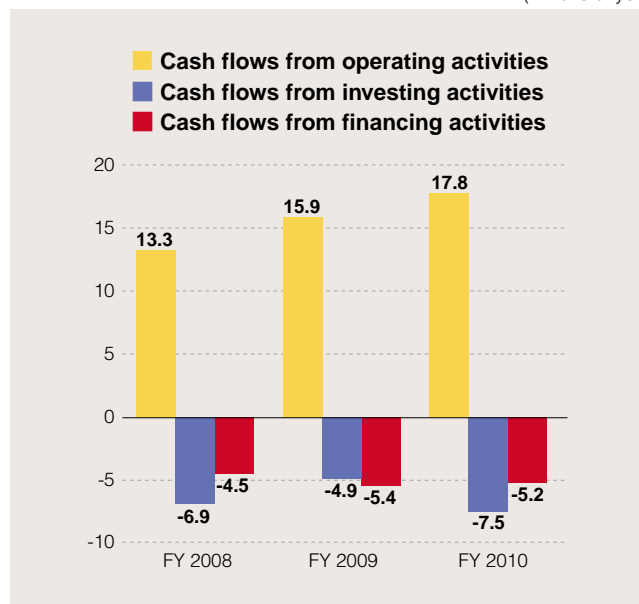
Regarding profits, the increase in gross profit resulting from growth in net sales surpassed the growth in selling, general and administrative (SG&A) expenses, and operating income rose 18.1% to ¥19,013 million, ordinary income increased 18.8% to ¥19,508 million and net income was up 21.1% to ¥10,631 million.

(Millions of yen)

	FY 2009	FY 2010	
	Amount	Amount	Change to Last Year
Net sales	429,927	<b>463,493</b>	<b>+7.8%</b>
Operating income	16,094	<b>19,013</b>	<b>+18.1%</b>
Ordinary income	16,427	<b>19,508</b>	<b>+18.8%</b>
Net income	8,782	<b>10,631</b>	<b>+20.1%</b>

## ■ Cash flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥17,851 million, an increase of ¥1,869 million from the previous fiscal year, due to such factors as a decrease in income taxes paid.

Net cash used in investing activities increased ¥2,599 million from the previous fiscal year to ¥7,527 million due to the capitalization of construction in progress along with the reconstruction of the Yokohama Building. Net cash used in financing activities decreased ¥212 million to ¥5,205 million.

## Overview of Results by Quarter

### ■ Net Sales

After continuing to decline year on year from the third quarter (July-September) of 2008, net sales turned upward from the first quarter (January-March) of 2010 and moved onto a recovery track.

Net sales in the third quarter (July-September) of 2010 amounted to ¥104,681 million, an 11.6% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2010 amounted to ¥114,516 million, an increase of 6.0% over the previous fourth quarter.

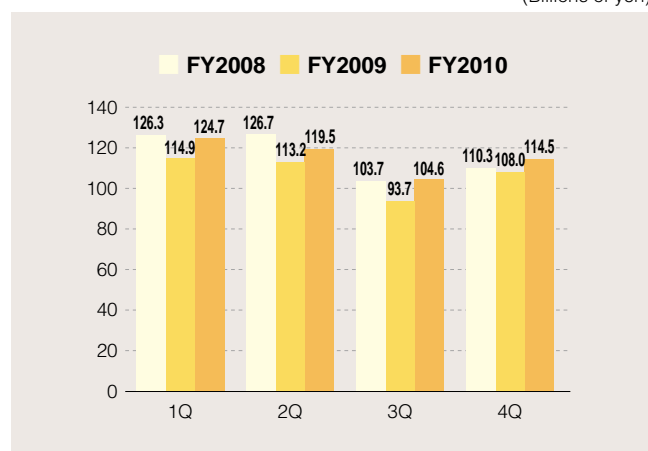
### ■ Ordinary Income

Ordinary income also continued to decline year on year from the third quarter (July-September) of 2008, but turned upward from the first quarter (January-March) of 2010 and moved onto a recovery track.

Ordinary income in the third quarter (July-September) of 2010 amounted to ¥2,101 million, an increase of 72.1% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2010 amounted to ¥4,877 million, up 23.2% from the previous fourth quarter.

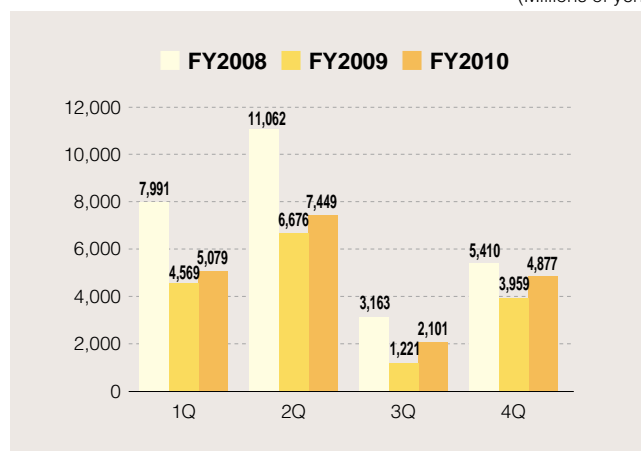
### Quarterly Net Sales

(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 firmly seized demand for replacement and upgrade systems as well as demand for the establishment of ICT environments at schools and demand from companies posting favorable results. Accordingly, we achieved growth in unit sales, including for PCs, servers and copiers. Consequently, the System Integration business recorded double-digit sales growth, with net sales rising 11.8% to ¥253,541 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.

Our “tanomail” office supply mail-order service business achieved steady growth in sales while sales from maintenance and other support rose slightly. As a result, net sales in the Service and Support Business rose 3.5% to ¥208,008 million.

### ■ Other Business

In the Other Business, net sales declined 15.5% from the previous fiscal year to ¥1,942 million.

### Net Sales by Segments

(Millions of yen)

