

Overview of Consolidated Operations

■ IT Investments Trend toward Recovery

During the fiscal year, the Japanese economy started out on a recovery track. However, disruptions to the supply chain due to the Great East Japan Earthquake and electric power shortages caused by the nuclear power plant accident led to a decline in production activities and a mood of self-restraint, and these factors had a major impact on the Japanese economy. Although the supply chain problems were gradually resolved, electric power shortages still continue. Additionally, in the second half of the year, there were supply shortages of parts and other items in some industries because of the impact of the flooding in Thailand. Meanwhile, the global economy, which had been favorable amid growth in newly emerging countries and the recovery of the U.S. economy, faced uncertainty due to the European fiscal crisis and sluggishness in the U.S. economy, ongoing appreciation of the yen and a decline in share prices.

Under these economic conditions, although numerous companies took a cautious stance, IT investment by domestic companies picked up along with new demand, including for the renovation of systems and power saving countermeasures, the building of business continuity plans (BCPs) and the use of tablet terminals.

■ Proposals for Realizing Cost Reductions and Improving Efficiency

Within this environment, based on our fiscal 2011 slogan “Live up to customers’ trust and vitalize office via IT,” we strengthened our contact with customers and actively proposed systems for achieving cost reductions, raising productivity and strengthening competitiveness. Additionally, we strengthened our earnings foundation by building stable and long-term business relations with customers by upgrading and expanding packaged products that combine multiple products and services and enhancing our accumulated business, including by developing appealing maintenance services.

Moreover, in the aftermath of the earthquake, we supported companies in the disaster-affected areas by lending equipment to replace their damaged equipment and providing several services at no cost. At the same time, we made proposals for power savings solutions and BCP solutions for responding to new IT demand.

External Environment

The domestic economy is slowly beginning to pick up.

The environment was characterized by a mild recovery in the global economy, the European debt crisis and financial uncertainties.

Exports weakened, the yen remained strong, share prices were lower and interest rates remained at the same level.

Production showed signs of a slow recovery and there were concerns over power supply.

The number of corporate bankruptcies remained at the same level.

Investments in facilities and equipment showed signs of recovery.

IT Investments are starting to pick up.

OTSUKA Group's Activities

- System proposals that lead to cost reductions, improvement of productivity and strengthening of competitiveness
- Strengthening of customer contact and frontline
- Activities “participated in by all employees”
- Strengthening of accumulated business: “tanomail” and “tayoreru”
- BCP measures and proposals for reducing power consumption
- Support for the disaster-affected areas

■ Increase in Sales and Double-digit Growth in Profits

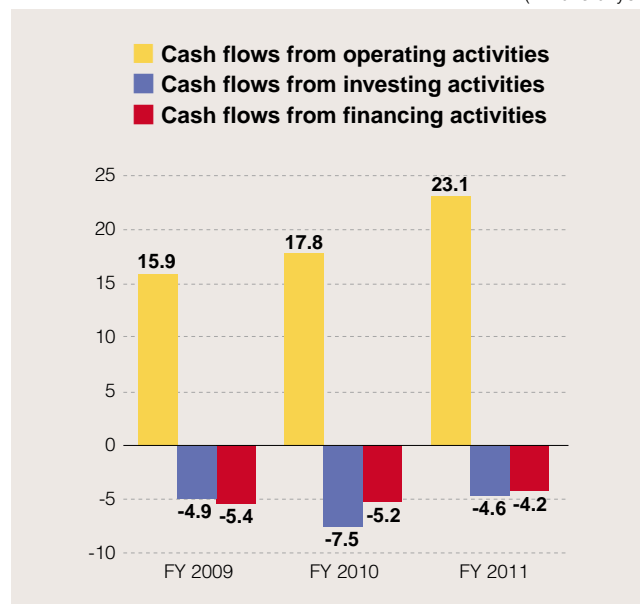
As a result of these measures, net sales rose 3.2% from the previous fiscal year to ¥478,215 million. Regarding profits, because we improved the gross profit margin and controlled SG&A expenses, operating income rose 21.5% to ¥23,095 million, ordinary income increased 19.5% to ¥23,315 million and net income was up 19.9% to ¥12,744 million.

(Millions of yen)

	FY 2010	FY 2011	
	Amount	Amount	Change to Last Year
Net sales	463,493	478,215	+3.2%
Operating income	19,013	23,095	+21.5%
Ordinary income	19,508	23,315	+19.5%
Net income	10,631	12,744	+19.9%

■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥23,158 million, an increase of ¥5,306 million from the previous fiscal year, due to an increase in income before income taxes and minority interests and a decrease in inventories.

Net cash used in investing activities decreased ¥2,923 million from the previous fiscal year to ¥4,604 million due to such factors as the completion of the rebuilding of the Yokohama Building. Net cash used in financing activities decreased ¥976 million to ¥4,229 million.

Overview of Results by Quarter

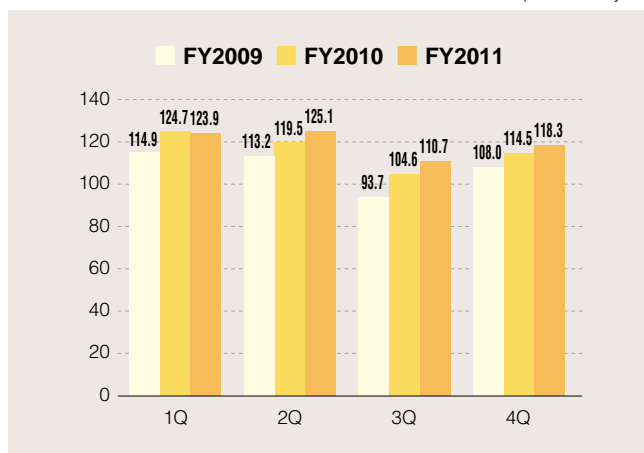
■ Net Sales

Although sales in the first quarter (January-March) of 2011 declined due to the effects of the earthquake and a backlash in demand associated with the establishment of information and communication technology (ICT) environments at schools in the first quarter of the previous year, sales increased from the second quarter (April-June) onward.

Net sales in the third quarter (July-September) of 2011 amounted to ¥110,745 million, a 5.8% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2011 amounted to ¥118,326 million, an increase of 3.3% over the previous fourth quarter.

Quarterly Net Sales

(Billions of yen)



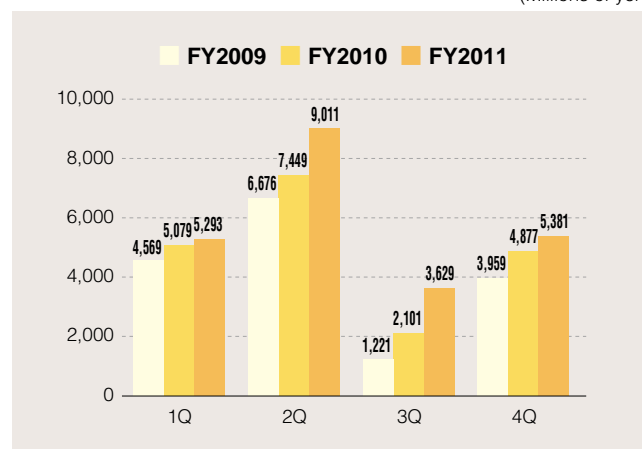
■ Ordinary Income

We secured an increase in ordinary income in the first quarter (January-March) of 2011, and ordinary income in each successive quarter also rose.

Ordinary income in the third quarter (July-September) of 2011 amounted to ¥3,629 million, an increase of 72.7% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2011 amounted to ¥5,381 million, up 10.3% from the previous fourth quarter.

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.

Despite the impact of the Great East Japan Earthquake and the flood damage in Thailand, we seized demand for replacement and upgrade systems at companies and active corporate demand for IT investment. Accordingly, we achieved growth in unit sales, including for PCs, servers and copiers. Consequently, the System Integration business recorded sales growth, with net sales rising 3.5% to ¥262,508 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. Although some products and services were adversely affected by the rolling power blackouts and the mood of voluntary restraint following the earthquake, 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 3.2% to ¥214,576 million.

■ Other Business

In the Other Business, net sales declined 41.8% from the previous fiscal year to ¥1,130 million.

Net Sales by Segments

(Millions of yen)

