

# Overview of Consolidated Operations

## ■ IT Investments Remain Firm

During the fiscal year, although the Japanese economy was on a modest recovery track due in part to reconstruction demand following the Great East Japan Earthquake, the future direction of the economy continued to be unclear owing to the impact of a global economic slowdown and other factors.

Under these economic conditions, although taking a cautious stance, IT investment by domestic companies was firm, supported by demand, including for the renovation of systems and power saving countermeasures, the building of business continuity plans (BCPs) and the use of tablet and other mobile terminals.

## ■ Proposals for Realizing Cost Reductions and Improving Productivity

Within this environment, based on our fiscal 2012 slogan “Live up to customers’ trust from a customer viewpoint and vitalize office,” we strengthened our contact with customers and actively proposed systems for bolstering competitiveness by reducing costs and improving productivity. Additionally, we reinforced our earnings foundation by building stable and long-term business relations with customers by upgrading and expanding package products that combine products and services and developing a lineup of appealing maintenance services in our “tayoreru” support service business as part of efforts to enhance our accumulated business.

### External Environment

The domestic economy is weak, but has showed signs of bottoming out in some areas.

The environment was characterized by a slowdown in the global economy and a mild recession in Europe.

The economy in emerging countries showed signs of picking up while the U.S. economy remained on a gradual recovery path.

Exports declined and production showed signs of bottoming out.

Strong yen is being corrected, stock prices rose and power constraints continued.

Reconstruction-related demand continued and the number of corporate bankruptcies remained at the same level.

Investment in facilities and equipment was sluggish.

IT investments achieved steady growth.

### 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

## ■ Net Sales Exceed ¥500 Billion and Profits Increase by Over 20%

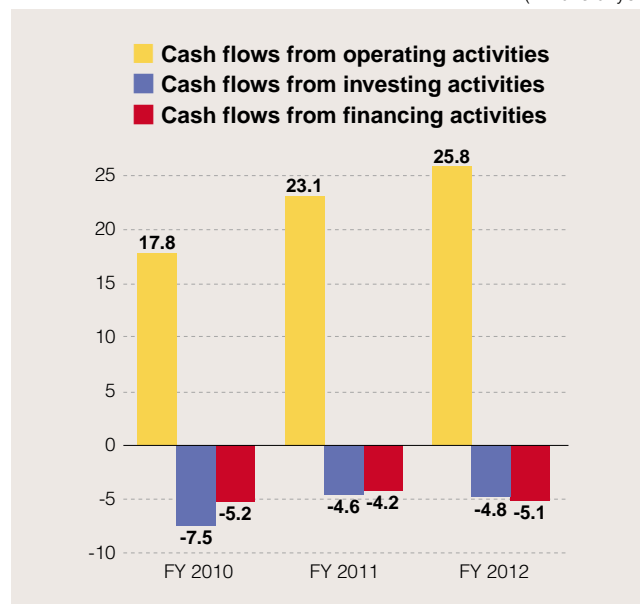
As a result of these measures, net sales rose 7.9% from the previous fiscal year to ¥515,771 million. Regarding profits, because of the increase in gross profit accompanying the rise in sales, operating income rose 22.3% to ¥28,251 million, ordinary income increased 24.7% to ¥29,079 million and net income was up 27.7% to ¥16,277 million.

(Millions of yen)

	FY 2011	FY 2012	
	Amount	Amount	Change to Last Year
Net sales	478,215	<b>515,771</b>	<b>+7.9%</b>
Operating income	23,095	<b>28,251</b>	<b>+22.3%</b>
Ordinary income	23,315	<b>29,079</b>	<b>+24.7%</b>
Net income	12,744	<b>16,277</b>	<b>+27.7%</b>

## ■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥25,879 million, an increase of ¥2,721 million from the previous fiscal year, due to an increase in income before income taxes and minority interests.

Net cash used in investing activities increased ¥290 million from the previous fiscal year to ¥4,894 million due to an increase in payments for purchase of investments in securities.

Net cash used in financing activities increased ¥961 million to ¥5,190 million due to an increase in cash dividends paid.

## Overview of Results by Quarter

### Net Sales

Net sales increased in all quarters from the first quarter (January-March) of 2012 through the fourth quarter (October-December) of 2012 and we achieved record-high sales in each quarter.

Net sales in the first quarter (January-March) of 2012 amounted to ¥135,458 million, a 9.3% increase from the previous first quarter. Net sales in the second quarter (April-June) of 2012 amounted to ¥130,933 million, an increase of 4.6% over the previous second quarter.

Net sales in the third quarter (July-September) of 2012 amounted to ¥117,799 million, a 6.4% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2012 amounted to ¥131,580 million, an increase of 11.2% over the previous fourth quarter.

### Ordinary Income

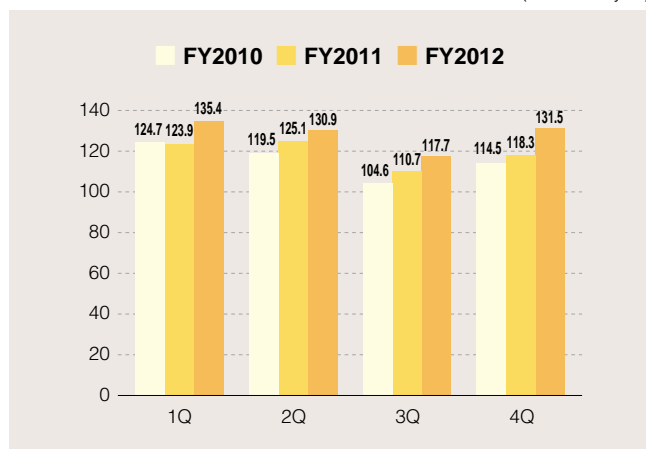
We secured an increase in ordinary income because we held the rise in SG&A expenses below the increase in gross profit, and ordinary income in each successive quarter also rose.

Ordinary income in the first quarter (January-March) of 2012 amounted to ¥7,224 million, an increase of 36.5% from the previous first quarter. Ordinary income in the second quarter (April-June) of 2012 amounted to ¥10,169 million, up 12.8% from the previous second quarter.

Ordinary income in the third quarter (July-September) of 2012 amounted to ¥4,367 million, an increase of 20.3% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2012 amounted to ¥7,318 million, up 36.0% from the previous fourth quarter.

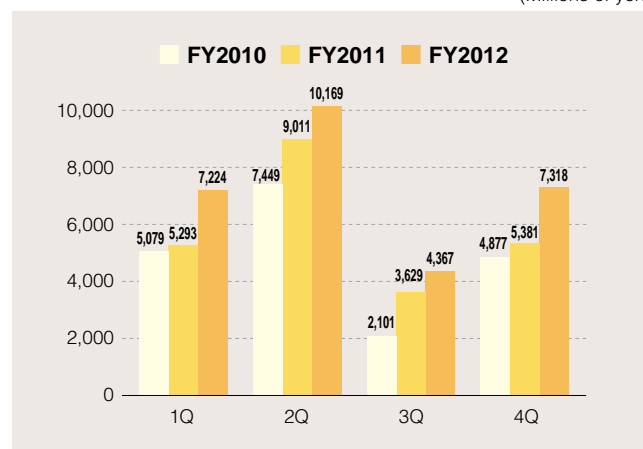
### Quarterly Net Sales

(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 seized demand for replacement and upgrade systems as well as for power saving countermeasures at companies and active corporate demand for IT investment. Consequently, the System Integration business recorded sales growth, with net sales rising 10.4% to ¥289,840 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 solid growth in sales, while sales from maintenance and other support rose from the previous fiscal year. As a result, net sales in the Service and Support business rose 5.0% to ¥225,298 million.

### ■ Other Business

In the Other Business, net sales declined 44.1% from the previous fiscal year to ¥632 million.

### Net Sales by Segments

(Millions of yen)

