

# Overview of Consolidated Operations

## ■ Japanese Economy Sustains a Moderate Recovery

During the fiscal year under review (January 1, 2016 to December 31, 2016), the Japanese economy sustained a moderate recovery despite visible areas of weakness such as cooling consumer sentiment. Additionally, business sentiment was noticeably cautious owing to uncertainties about the future direction of the global economy and exchange rates due to Britain's decision to exit the EU and to the U.S. presidential election.

Under these economic conditions, IT investments by domestic companies were cautious but firm against a background of solid corporate performance. During the fiscal year, the Social Security and Tax Number ("My Number") System began operation and the Personal Information Protection Law was revised, while threats such as increasingly active ransomware continued, which spurred growing interest in security countermeasures.

## ■ Focus on Regional-based Sales Activities

Within this environment, under the fiscal 2016 slogan "Vitalize office with solutions and live up to customer trust," we worked proactively to tap into corporate IT demand through initiatives such as strengthening security-related services and handling new electric power that helps reduce electricity costs along with our power savings solutions. Moreover, we also achieved positive results for initiatives to comprehensively support IT and networks in response to the needs of companies with multiple stores or multiple locations. We also focused on regional-based sales activities aimed at invigorating our sales activities.

Meanwhile, in August we commenced operation of our West Japan Logistics Center to strengthen our logistics capabilities in the western Japan area centering on the Kansai region.

**Solid corporate performance  
IT investments trending firmly**

**Tap into corporate IT demand  
Regional-based sales activities**

## ■ Sales and Profits Increase for the Seventh Consecutive Year and Profits Reach Record-high Levels

As a result of the above measures, net sales increased 5.6% from the previous fiscal year to ¥643,417 million. At the profit level, operating income rose 6.4% to ¥39,684 million. Ordinary income increased 6.6% to ¥40,780 million and profit attributable to owners of parent was up 12.5% to ¥26,675 million. This marks the seventh consecutive year of increases in sales and profits.

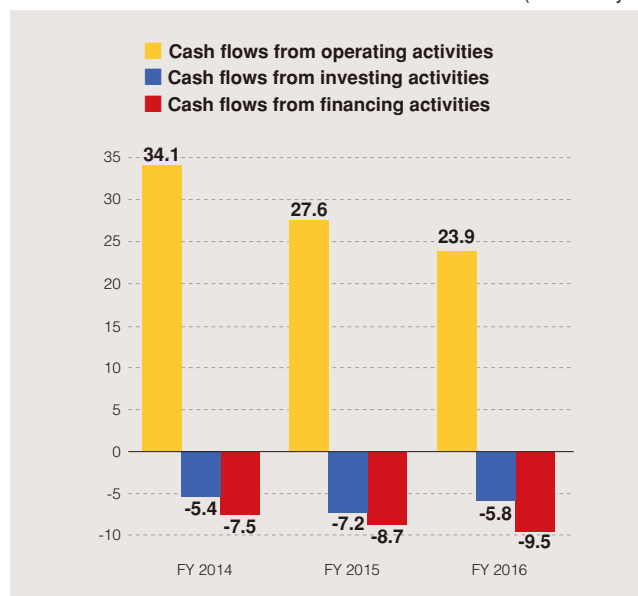
(Millions of yen)

	FY 2015	FY 2016	
	Amount	Amount	Change to Last Year
Net sales	609,045	<b>643,417</b>	<b>+5.6%</b>
Operating income	37,311	<b>39,684</b>	<b>+6.4%</b>
Ordinary income	38,240	<b>40,780</b>	<b>+6.6%</b>
Net income*	23,705	<b>26,675</b>	<b>+12.5%</b>

\*Profit attributable to owners of parent

## ■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥23,932 million, a decrease of ¥3,689 million from the previous fiscal year due to a smaller increase in notes and accounts payable – trade.

Net cash used in investing activities amounted to ¥5,823 million, a decrease of ¥1,412 million from the previous fiscal year due to the absence of payments into time deposits in the previous fiscal year.

Net cash used in financing activities increased ¥789 million to ¥9,532 million due to an increase in cash dividends paid.

## Overview of Results by Quarter

### Net Sales

Net sales increased in all quarters of the fiscal year and the uptrend in net sales has continued since the second quarter (April-June) of the previous fiscal year.

Net sales in the first quarter (January-March) of 2016 amounted to ¥171,130 million, a 7.4% increase from the previous first quarter. Net sales in the second quarter (April-June) of 2016 amounted to ¥167,379 million, an increase of 5.6% over the previous second quarter. Net sales in the third quarter (July-September) of 2016 amounted to ¥144,234 million, a 6.3% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2016 amounted to ¥160,673 million, an increase of 3.4% over the previous fourth quarter.

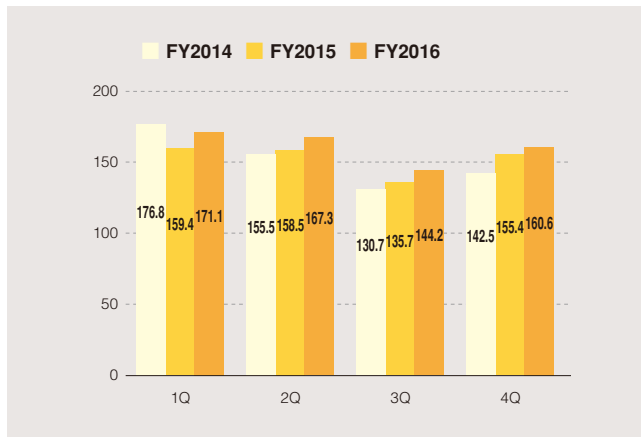
### Ordinary Income

Ordinary income increased slightly in the second quarter (April-June), but growth in income recovered from the third quarter (July-September) onward.

Ordinary income in the first quarter (January-March) of 2016 amounted to ¥10,360 million, an increase of 9.0% from the previous first quarter. Ordinary income in the second quarter (April-June) of 2016 amounted to ¥14,207 million, an increase of 0.1% from the previous second quarter. Ordinary income in the third quarter (July-September) of 2016 amounted to ¥5,677 million, an increase of 15.8% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2016 amounted to ¥10,535 million, up 9.3% from the previous fourth quarter.

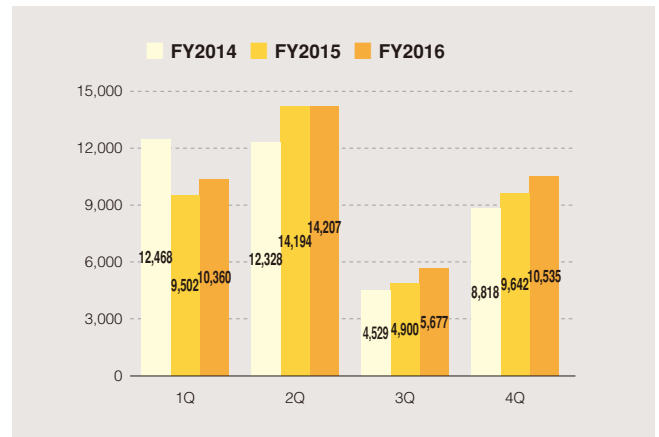
### Quarterly Net Sales

(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 focused on solutions that spur demand for security measures and mobile devices and recorded growth in unit sales of copiers, PCs and security-related devices, which led to a 6.6% increase in net sales from the previous fiscal year to ¥376,391 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. In our “tanomail” office supply mail-order service business, we enhanced our product lineup including for tools and nursing care products and achieved a steady growth in sales, while sales for maintenance services also trended firmly. As a result, net sales for the Service and Support business increased 4.4% from the previous fiscal year to ¥266,625 million.

### ■ Other Business

In the Other business, net sales increased 3.9% from the previous fiscal year to ¥400 million.

Net Sales by Segments

(Millions of yen)

