

Overview of Consolidated Operations

■ Japanese Economy on a Moderate Recovery

During the fiscal year under review (January 1, 2017 to December 31, 2017), the Japanese economy continued a moderate recovery amid a pickup in capital investments and exports accompanying a mild recovery in the global economy centering on Europe and the United States.

Under these economic conditions, corporate business sentiment also improved against a backdrop of solid business results. Additionally, there was rising interest in IT investments due to such factors as government efforts to promote work style reform, and corporate IT investments trended firmly.

■ Continuing Regional-led Business Management

Within this environment, under the fiscal 2017 slogan “Solve customer troubles on all fronts and live up to customer trust,” the OTSUKA Group continued to implement regional-led business management and strived to strengthen relationships with customers in accordance with the characteristics of each region, although these efforts are still at the midpoint. Regarding work style reform, numerous proposals made by the Company in the past aimed at raising productivity and reducing costs have served as solutions. The Company worked toward formulating even more specific proposals by deploying its own previously implemented case examples and drawing on its abundant solutions as a competitive advantage.

Besides undertaking these activities, the Company also identified the IT needs of both large companies and medium-sized companies in responding to emerging replacement demand for IT infrastructure.

**Promotion of work style reform
by government**

IT investments trending firmly

**Strengthening relationships with
customers through regional-led
business management**

**Specific proposals through
the Company’s case examples**

■ Sales and Profits Increase for the Eighth Consecutive Year and Sales, Operating Income, Ordinary Income and Net Income Reach Record-high Levels

As a result of the above measures, net sales increased 7.4% from the previous fiscal year to ¥691,166 million. At the profit level, operating income rose 11.9% to ¥44,386 million. Ordinary income increased 11.5% to ¥45,460 million and profit attributable to owners of parent was up 18.3% to ¥31,560 million. This marks the eighth consecutive year of increases in sales and profits.

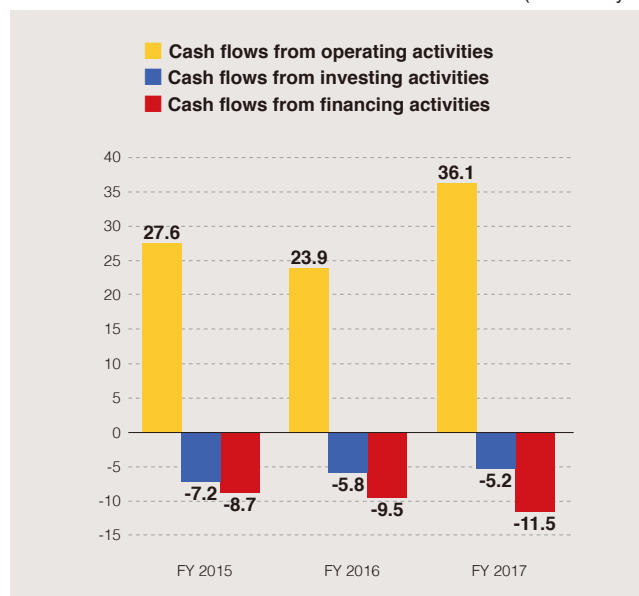
(Millions of yen)

	FY 2016	FY 2017	
	Amount	Amount	Change to Last Year
Net sales	643,417	691,166	+7.4%
Operating income	39,684	44,386	+11.9%
Ordinary income	40,780	45,460	+11.5%
Net income*	26,675	31,560	+18.3%

*Profit attributable to owners of parent

■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥36,153 million, an increase of ¥12,221 million from the previous fiscal year due to a decrease in inventories, denoting a turnaround from an increase in the previous fiscal year.

Net cash used in investing activities amounted to ¥5,243 million, a decrease of ¥580 million from the previous fiscal year due to proceeds from withdrawal of time deposits in the fiscal year.

Net cash used in financing activities increased ¥1,995 million to ¥11,528 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.

Net sales in the first quarter (January-March) of 2017 amounted to ¥180,278 million, a 5.3% increase from the previous first quarter. Net sales in the second quarter (April-June) of 2017 amounted to ¥177,307 million, a 5.9% increase from the previous second quarter. Net sales in the third quarter (July-September) of 2017 amounted to ¥158,943 million, a 10.2% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2017 amounted to ¥174,637 million, an increase of 8.7% over the previous fourth quarter.

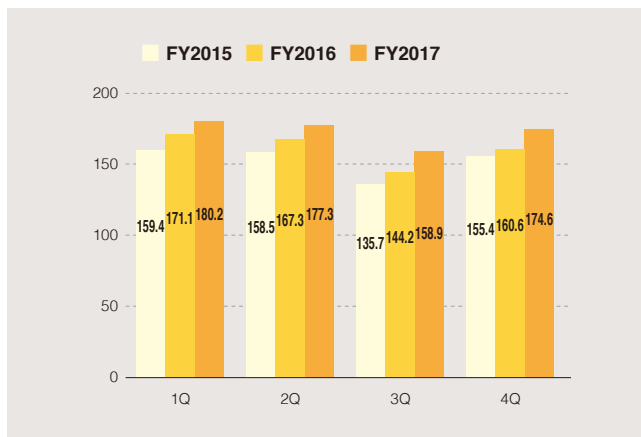
Ordinary Income

Ordinary income increased in all four quarters as profits continued to grow.

Ordinary income in the first quarter (January-March) of 2017 amounted to ¥12,131 million, an increase of 17.1% from the previous first quarter. Ordinary income in the second quarter (April-June) of 2017 amounted to ¥15,255 million, an increase of 7.4% from the previous second quarter. Ordinary income in the third quarter (July-September) of 2017 amounted to ¥6,667 million, an increase of 17.5% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2017 amounted to ¥11,404 million, up 8.3% from the previous fourth quarter.

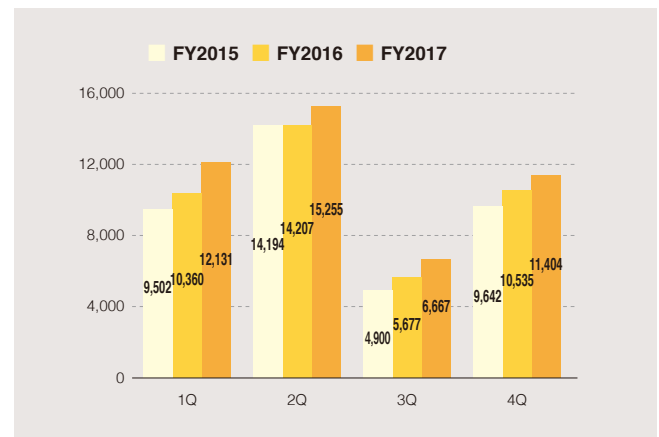
Quarterly Net Sales

(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 worked to propose solutions such as measures to reduce costs and strengthen competitiveness through the introduction of IT and proposed IT usage methods that lead to work style reforms. Additionally, we recorded growth in sales of packaged software and in unit sales of PCs, while sales of consolidated subsidiaries were also solid. As a result, net sales increased 8.6% from the previous fiscal year to ¥408,718 million. On the other hand, unit sales of copiers declined due to the absence of large orders that were received in the previous fiscal year.

■ 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. We worked to strengthen the competitiveness of our “tanomail” office supply mail-order service business and also recorded steady growth in sales of maintenance services, which led to a 5.8% increase in net sales from the previous fiscal year to ¥282,064 million.

■ Other Business

In the Other business, net sales decreased 4.4% from the previous fiscal year to ¥383 million.

Net Sales by Segments

(Millions of yen)

