

Overview of Consolidated Operations

■ Japanese Economy Continues a Moderate Recovery

During the fiscal year under review (January 1, 2019 to December 31, 2019), despite weakness in some areas, the Japanese economy continued a moderate recovery overall amid a pickup in personal consumption and a steadily improving employment situation.

Under these economic conditions, a cautious stance toward the future was also seen due to concerns about a slowing Chinese economy resulting from U.S.-China trade issues as well as to worries about the impact of Japan-Korea issues. Nevertheless, with corporate earnings trending briskly at a high level and capital investment and software investment plans increasing, there was high interest in IT by Japanese companies due in part to a boost from such factors as government efforts to promote work style reform, demand for business supporting the adoption of IT and PC replacement demand, and corporate IT investments trended firmly.

■ Proposing Added-Value Solutions

Within this environment, in keeping with the fiscal 2019 slogan “Leverage solutions from the perspective of customers and live up to customer trust,” the OTSUKA Group continued to strengthen relationships with customers under its regional-led business management. Under our “For the Entire Office” policy, we combined those products and services we are capable of providing and strived to make added-value solution proposals that meet the needs of our customers. The OTSUKA Group also hosted events and seminars, where we raised the “Office 2020 Problem”^{*} and worked to stimulate IT demand. Additionally, our combined proposals and solution proposals, on which we have especially focused our efforts, are generating results that enabled us to provide a broad range of products and services.

**Promote work style reform
IT investments trending firmly**

**Strengthening relationships with
customers through regional-led
business management
Proposing added-value solutions**

^{*}Office 2020 Problem: This refers to issues involving offices that will occur between 2019 and 2020. Specifically, these issues include the ending of production of fluorescent lamps and mercury lamps, the enforcement of laws pertaining to work style reform, an increase in the consumption tax, the ending of support for Windows 7, responses to cyberattacks in the run-up to the Tokyo Olympics and the formulation of company BCPs being promoted by the government.

■ Sales and Profits Increase for the 10th Consecutive Year and Sales, Operating Profit, Ordinary Profit and Profit Attributable to Owners of Parent Reach Record-high Levels

As a result of the above measures, net sales increased 16.7% from the previous fiscal year to ¥886,536 million. At the profit level, operating profit rose 29.4% to ¥62,192 million. Ordinary profit increased 29.3% to ¥63,706 million and profit attributable to owners of parent was up 29.4% to ¥43,497 million.

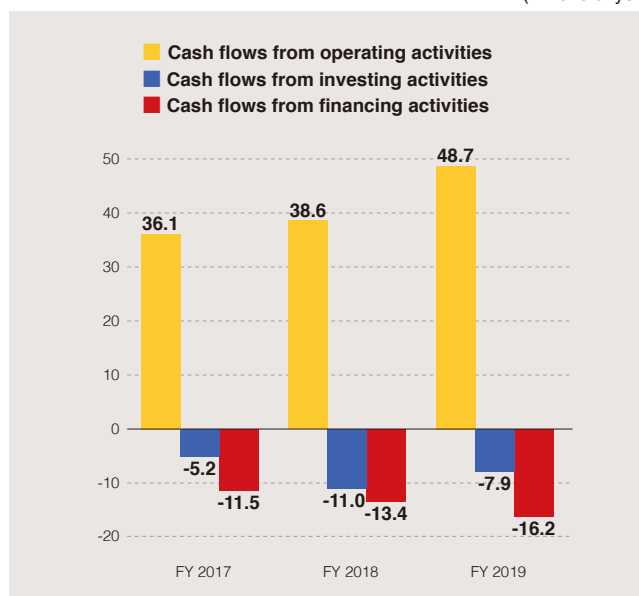
(Millions of yen)

	FY 2018	FY 2019	
	Amount	Amount	Change to Last Year
Net sales	759,871	886,536	+16.7%
Operating profit	48,058	62,192	+29.4%
Ordinary profit	49,285	63,706	+29.3%
Profit*	33,601	43,497	+29.4%

*Profit attributable to owners of parent

■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥48,762 million, an increase of ¥10,115 million from the previous fiscal year due to an increase in profit before income taxes.

Net cash used in investing activities amounted to ¥7,934 million, a decrease of ¥3,162 million from the previous fiscal year due to a decrease in the purchase of investment securities.

Net cash used in financing activities increased ¥2,751 million to ¥16,221 million due to an increase in cash dividends paid.

Overview of Results by Quarter

■ Net Sales

Net sales posted double-digit increases in all quarters of the fiscal year and the uptrend in net sales has continued.

Net sales in the first quarter (January-March) of 2019 amounted to ¥218,681 million, a 14.4% increase from the previous first quarter. Net sales in the second quarter (April-June) of 2019 amounted to ¥231,472 million, a 16.5% increase from the previous second quarter. Net sales in the third quarter (July-September) of 2019 amounted to ¥216,944 million, a 23.1% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2019 amounted to ¥219,437 million, an increase of 13.3% over the previous fourth quarter.

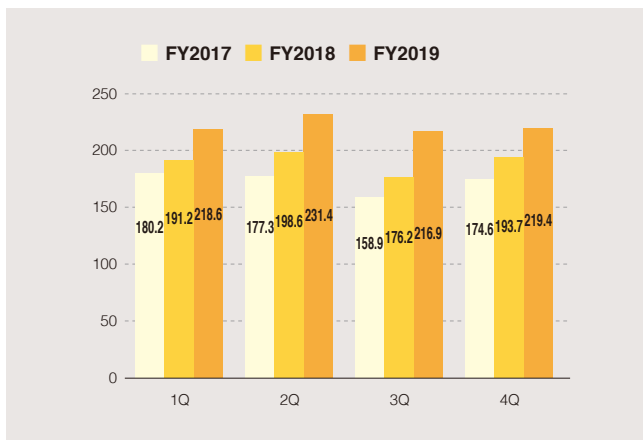
■ Ordinary Profit

Ordinary profit posted double-digit increases in all quarters and has sustained high growth from the fourth quarter (October-December) of the previous year.

Ordinary profit in the first quarter (January-March) of 2019 amounted to ¥15,087 million, an increase of 23.4% from the previous first quarter. Ordinary profit in the second quarter (April-June) of 2019 amounted to ¥19,623 million, an increase of 25.4% from the previous second quarter. Ordinary profit in the third quarter (July-September) of 2019 amounted to ¥12,677 million, an increase of 76.9% from the previous third quarter. Ordinary profit in the fourth quarter (October-December) of 2019 amounted to ¥16,318 million, up 14.5% from the previous fourth quarter.

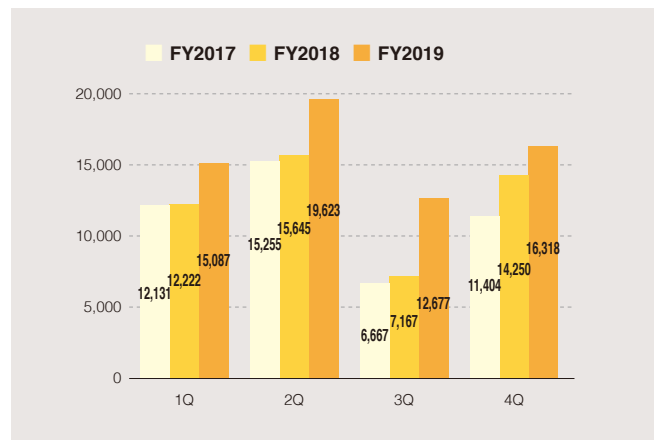
Quarterly Net Sales

(Billions of yen)



Quarterly Ordinary Profit

(Millions of yen)



Overview of Business Segments

■ System Integration Business

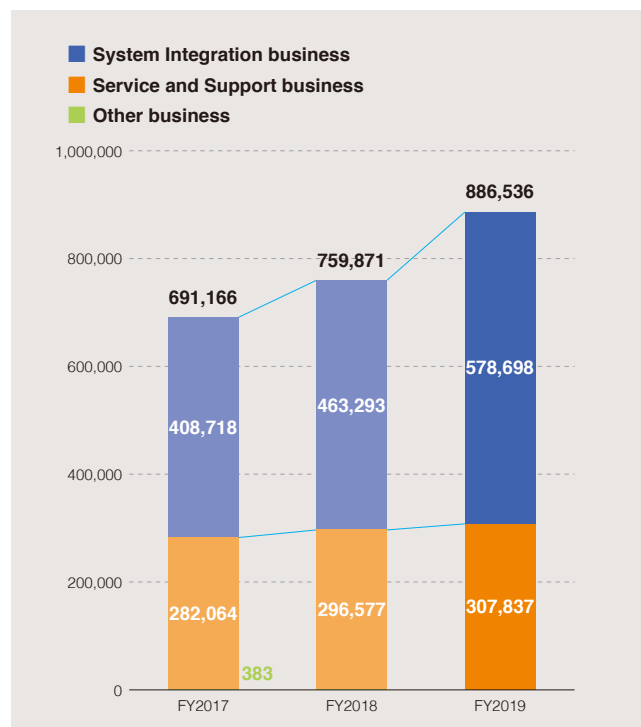
The System Integration business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. We recorded high growth in unit sales of PCs. Additionally, thanks also to responses to the increase in the consumption tax and system replacement demand, we also achieved smooth growth in sales of packaged software and consigned software. As a result, net sales increased 24.9% from the previous fiscal year to ¥578,698 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. We worked to strengthen the competitiveness of our “tanomail” office supply mail-order service business and also responded to the last-minute surge in demand prior to the increase in the consumption tax. The “tayoreru” support service business also recorded a steady growth in sales, which led to a 3.8% increase in net sales from the previous fiscal year to ¥307,837 million.

Net Sales by Segments

(Millions of yen)



Note: Otsuka Auto Service Co., LTD., which was a consolidated subsidiary, was excluded from consolidation from fiscal 2018 due to its reduced impact on consolidated business results. Along with this, the Other business segment is not listed from fiscal 2018 due to the absence of business results.