

Overview of Consolidated Operations

■ Spread of COVID-19

During the fiscal year under review (January 1, 2020 to December 31, 2020), the Japanese economy was inevitably affected by the global-wide spread of COVID-19 (novel coronavirus), as evidenced by the postponement of the Tokyo Olympics and Paralympics and the declaration of a state of emergency. Subsequently, the Japanese economy showed signs of picking up thanks to the lifting of the state of emergency as well as to government initiatives to maintain socio-economic activities while preventing the further spread of the novel coronavirus. Nonetheless, the future once again became uncertain as a result of the onset of the third wave of COVID-19.

Even though the economy faced difficult circumstances, in IT investment fields measures for improving productivity and reducing costs proceeded while the introduction of telework advanced in line with a visible shift toward new work styles.

■ Supporting the Business Activities of Customers

Within this environment, in keeping with the fiscal 2020 slogan “Leverage solutions from the perspective of customers and live up to customer trust,” the OTSUKA Group undertook its utmost efforts to protect the safety of its employees, customers and business partners and also focused on sales activities and support activities not involving customer visits as well as on online demonstrations and seminars as it secured customer contact points. On top of this, the OTSUKA Group worked to stimulate demand for IT that will enable work style reforms, improvements in productivity and cost reductions, as well as supported the business activities of customers that are moving quickly to introduce telework and those proactively introducing IT. During the fiscal year, unit sales of PCs decreased due to the impact of increased replacement demand in the previous year along with the ending of support for Windows 7.

In addition, even though IT demand increased in step with the growing use of telework due to the spread of COVID-19, conversely, sales of some office supply products and copier maintenance services declined due to a decrease in activities at offices.

**An Uncertain Future
A Shift to New Work Styles**

**Secure customer contact points online
Support the introduction of telework
by customers**

■ Sales and Profits Decline for the First Time since 2009

As a result of the above measures, net sales decreased 5.7% from the previous fiscal year to ¥836,323 million. At the earnings level, operating profit decreased 9.5% to ¥56,309 million, ordinary profit decreased 9.7% to ¥57,550 million and profit attributable to owners of parent decreased 9.6% to ¥39,309 million.

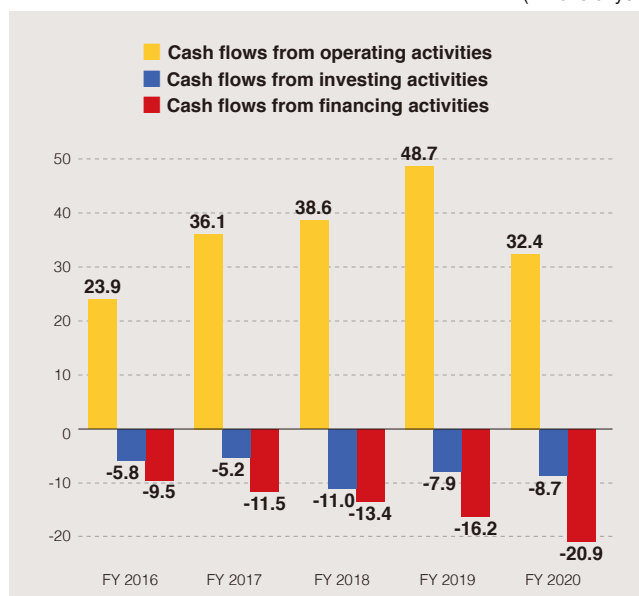
(Millions of yen)

	FY 2019	FY 2020	
	Amount	Amount	Change to Last Year
Net sales	886,536	836,323	-5.7%
Operating profit	62,192	56,309	-9.5%
Ordinary profit	63,706	57,550	-9.7%
Profit*	43,497	39,309	-9.6%

*Profit attributable to owners of parent

■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥32,496 million, a decrease of ¥16,266 million from the previous fiscal year due to an increase in inventories that resulted from meeting demand related to the GIGA School program.

Net cash used in investing activities amounted to ¥8,716 million, an increase of ¥781 million from the previous fiscal year due to an increase in the purchase of property, plant and equipment.

Net cash used in financing activities increased ¥4,766 million to ¥20,988 million due to an increase in cash dividends paid.

Overview of Results by Quarter

■ Net Sales

Net sales increased in the first quarter (January-March), but decreased from the second quarter (April-June) onward.

Net sales in the first quarter (January-March) of 2020 amounted to ¥224,329 million, a 2.6% increase from the previous first quarter. Net sales in the second quarter (April-June) of 2020 amounted to ¥208,614 million, a 9.9% decrease from the previous second quarter. Net sales in the third quarter (July-September) of 2020 amounted to ¥188,274 million, a 13.2% decrease from the previous third quarter. Net sales in the fourth quarter (October-December) of 2020 amounted to ¥215,105 million, a 2.0% decrease from the previous fourth quarter.

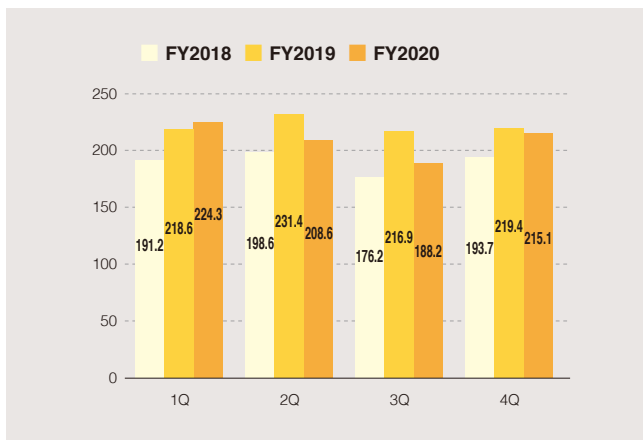
■ Ordinary Profit

Ordinary profit also increased in the first quarter (January-March), but decreased from the second quarter (April-June) onward.

Ordinary profit in the first quarter (January-March) of 2020 amounted to ¥16,484 million, an increase of 9.3% from the previous first quarter. Ordinary profit in the second quarter (April-June) of 2020 amounted to ¥14,478 million, a decrease of 26.2% from the previous second quarter. Ordinary profit in the third quarter (July-September) of 2020 amounted to ¥11,249 million, a decrease of 11.3% from the previous third quarter. Ordinary profit in the fourth quarter (October-December) of 2020 amounted to ¥15,338 million, down 6.0% from the previous fourth quarter.

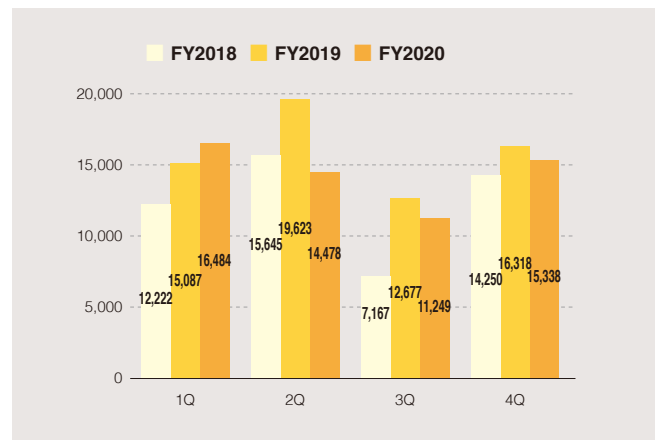
Quarterly Net Sales

(Billions of yen)



Quarterly Ordinary Profit

(Millions of yen)



Overview of Business Segments

■ System Integration Business

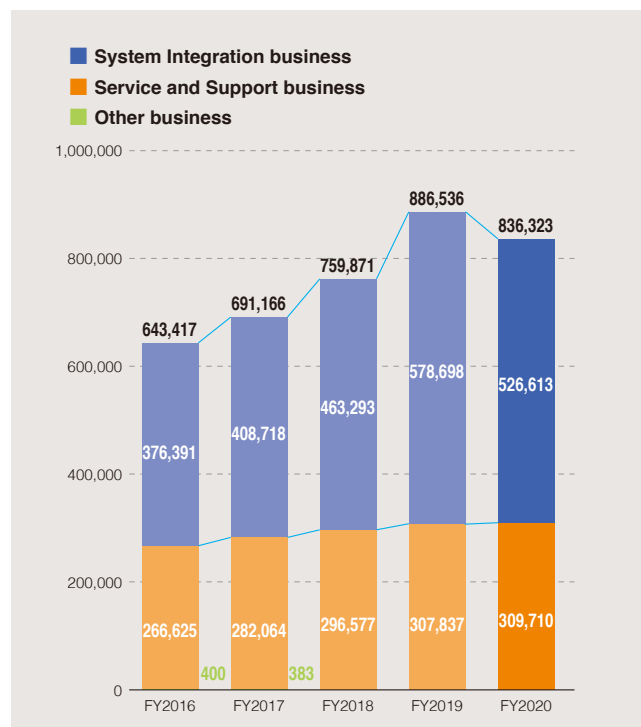
The System Integration business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. Although we captured demand related to telework and work style reforms and for responding to the GIGA School program, net sales declined 9.0% to ¥526,613 million. This decrease was due to such factors as the impact of a decline in unit sales of PCs, which increased sharply in the previous fiscal year on the back of replacement demand for Windows 7, and to restrictions on sales activities that continued even after the lifting of the state of emergency declaration.

■ 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, sales increased year on year in the fourth quarter; however, sales for the full year declined from the previous year as the expanded use of telework resulted in a decrease in sales of some products. Meanwhile, in the “tayoreru” support service business, although sales from maintenance services for copiers declined from the previous year accompanying a decrease in usage, telework-related services and maintenance services such as MNS* trended firmly, and therefore, overall maintenance sales surpassed those of the previous year. As a result, overall net sales of this business increased 0.6% to ¥309,710 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.

*MNS (Managed Network Service): This is a service that operates and manages office IT environments such as servers, communication equipment, security and backup across a network on behalf of customers.