Overview of Consolidated Operations

Japanese Economy Recovers Moderately
During the fiscal year under review (January 1, 2013 to December 31, 2013), the Japanese economy achieved a moderate recovery as the positive effects of various policies gradually emerged.

Under these economic conditions, IT investment by domestic companies was firm due to solid demand, including demand for replacement purchases toward the ending of support for Windows XP as well as demand for 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 2013 slogan “Live up to customers’ trust from a customer viewpoint and vitalize office with IT,” we strengthened our contact with customers and actively proposed specific IT usage technologies and solutions, systems for bolstering competitiveness by reducing costs and improving productivity, and effective power saving countermeasures. Additionally, efforts aimed at strengthening the accumulated business included augmenting our line of appealing office supplies and developing a lineup of maintenance services that support improvements in productivity of corporate activities and reduce burdens.
Sales and Profits Increase for 4th Consecutive Year and Profits Reach All-Time High

As a result of these measures, net sales rose 9.5% from the previous fiscal year to ¥564,595 million. Operating income rose 20.0% to ¥33,901 million owing to the increase in gross profit accompanying the rise in sales and the curbing of SG&A expenses. Despite posting non-operating expenses of ¥1,066 million in the first quarter due to the recording of a provision of allowance for doubtful accounts at a consolidated subsidiary, ordinary income increased 15.2% to ¥33,505 million and net income was up 24.5% to ¥20,271 million.

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<th>(Billions of yen)</th>
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<tr>
<td>FY 2012</td>
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<tr>
<td>Amount</td>
</tr>
<tr>
<td>Net sales</td>
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<tr>
<td>Operating income</td>
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<td>Ordinary income</td>
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<td>Net income</td>
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Net cash provided by operating activities amounted to ¥18,780 million, a decrease of ¥7,099 million from the previous fiscal year, due to an increase in notes and accounts receivable-trade and an increase in inventories from the previous fiscal year.

Net cash used in investing activities decreased ¥1,426 million from the previous fiscal year to ¥3,468 million due to proceeds from redemption of investment securities.

Net cash used in financing activities increased ¥1,370 million to ¥6,561 million due to an increase in cash dividends paid.

Cash Flows

(Billions of yen)
Net Sales
Net sales increased in all quarters from the first quarter (January-March) of 2013 through the fourth quarter (October-December) of 2013 and we achieved record-high sales in each quarter.

Net sales in the first quarter (January-March) of 2013 amounted to ¥140,647 million, an increase of 3.8% from the previous first quarter. Net sales in the second quarter (April-June) of 2013 amounted to ¥143,975 million, an increase of 10.0% over the previous second quarter.

Net sales in the third quarter (July-September) of 2013 amounted to ¥129,282 million, a 9.7% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2013 amounted to ¥150,689 million, an increase of 14.5% over the previous fourth quarter.

Ordinary Income
Although ordinary income in the first quarter (January-March) of 2013 declined due to the recording of a provision of allowance for doubtful accounts at a consolidated subsidiary, ordinary income increased from the second quarter (April-June) onward.

Ordinary income in the first quarter (January-March) of 2013 amounted to ¥6,431 million, a decrease of 11.0% from the previous first quarter. Ordinary income in the second quarter (April-June) of 2013 amounted to ¥12,225 million, up 20.2% from the previous second quarter.

Ordinary income in the third quarter (July-September) of 2013 amounted to ¥5,221 million, an increase of 19.5% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2013 amounted to ¥9,627 million, up 31.6% from the previous fourth quarter.
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 active corporate demand for IT investment, demand for replacement purchases in the run-up to the ending of support for Windows XP and demand for power saving countermeasures, as well as recorded brisk growth in unit sales of PCs and copiers.

Consequently, the System Integration business recorded sales growth, with net sales rising 14.6% to ¥332,067 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 rose from the previous fiscal year, 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 2.9% to ¥231,868 million.

Other Business
In the Other Business, net sales increased 4.2% from the previous fiscal year to ¥658 million.

Net Sales by Segments (Millions of yen)

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<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
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<tbody>
<tr>
<td>System Integration business</td>
<td>478,215</td>
<td>515,771</td>
<td>564,595</td>
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<tr>
<td>Service and Support business</td>
<td>262,508</td>
<td>289,840</td>
<td>332,067</td>
</tr>
<tr>
<td>Other business</td>
<td>214,576</td>
<td>225,298</td>
<td>231,868</td>
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FY2011 FY2012 FY2013