

Overview of Consolidated Operations

■ Japanese Economy Continues a Moderate Recovery

During the fiscal year under review (January 1, 2018 to December 31, 2018), despite a standstill 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 was also seen in corporate business sentiment that reflected concerns about the direction of trade issues and other factors. Nevertheless, amid strong corporate earnings, capital investment remained at a high level while there was also high interest in IT by Japanese companies due to 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.

■ Continuing Regional-led Business Management

Within this environment, under the fiscal 2018 slogan “Leverage solutions on all fronts and live up to customer trust,” the OTSUKA Group continued to implement regional-led business management and strived to strengthen relationships to respond to the characteristics and needs of customers in each region. Regarding work style reform, the Company specifically proposed solutions to management issues faced by customers through its own case examples implemented in the past that aim at raising productivity and reducing costs.

**Corporate earnings strong
IT investments trending firmly**

**Strengthening relationships with
customers through regional-led
business management
Specifically proposing solutions**

■ Sales and Profits Increase for the Ninth 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 9.9% from the previous fiscal year to ¥759,871 million. At the profit level, operating income rose 8.3% to ¥48,058 million. Ordinary income increased 8.4% to ¥49,285 million and profit attributable to owners of parent was up 6.5% to ¥33,601 million. This marks the ninth consecutive year of increases in sales and profits.

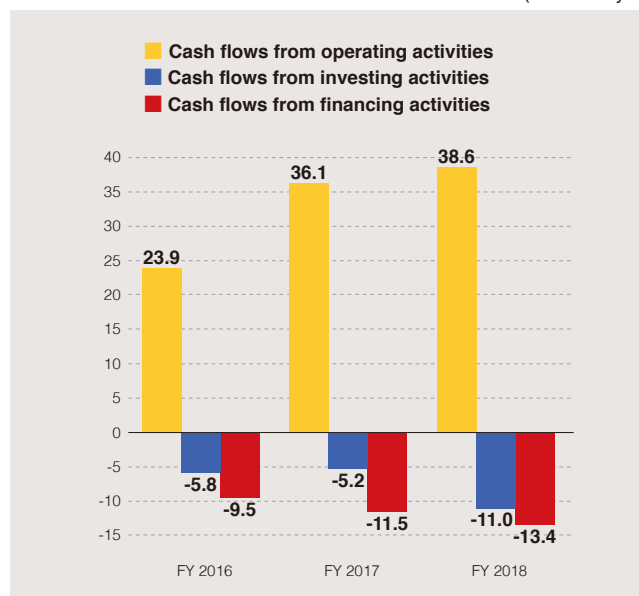
(Millions of yen)

	FY 2017	FY 2018	
	Amount	Amount	Change to Last Year
Net sales	691,166	759,871	+9.9%
Operating income	44,386	48,058	+8.3%
Ordinary income	45,460	49,285	+8.4%
Net income*	31,560	33,601	+6.5%

*Profit attributable to owners of parent

■ Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥38,646 million, an increase of ¥2,492 million from the previous fiscal year due to an increase in profit before income taxes.

Net cash used in investing activities amounted to ¥11,096 million, an increase of ¥5,853 million from the previous fiscal year due to the purchase of investment securities.

Net cash used in financing activities increased ¥1,942 million to ¥13,470 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 2018 amounted to ¥191,225 million, a 6.1% increase from the previous first quarter. Net sales in the second quarter (April-June) of 2018 amounted to ¥198,637 million, a 12.0% increase from the previous second quarter. Net sales in the third quarter (July-September) of 2018 amounted to ¥176,262 million, a 10.9% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2018 amounted to ¥193,745 million, an increase of 10.9% over the previous fourth quarter.

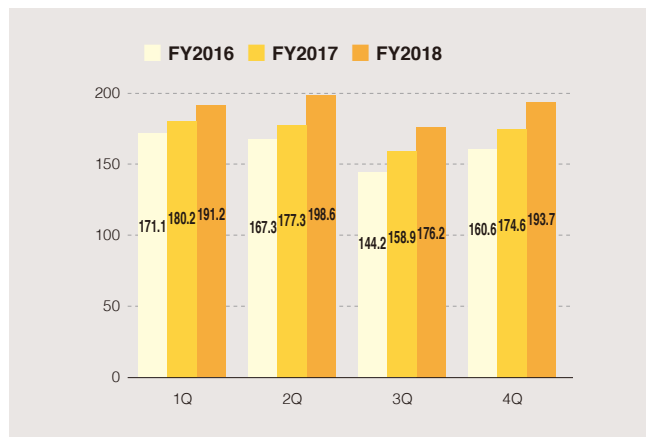
Ordinary Income

Despite increasing only slightly in the first quarter (January-March), ordinary income gradually improved from the second quarter (April-June) onward.

Ordinary income in the first quarter (January-March) of 2018 amounted to ¥12,222 million, an increase of 0.8% from the previous first quarter. Ordinary income in the second quarter (April-June) of 2018 amounted to ¥15,645 million, an increase of 2.6% from the previous second quarter. Ordinary income in the third quarter (July-September) of 2018 amounted to ¥7,167 million, an increase of 7.5% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2018 amounted to ¥14,250 million, up 24.9% from the previous fourth quarter.

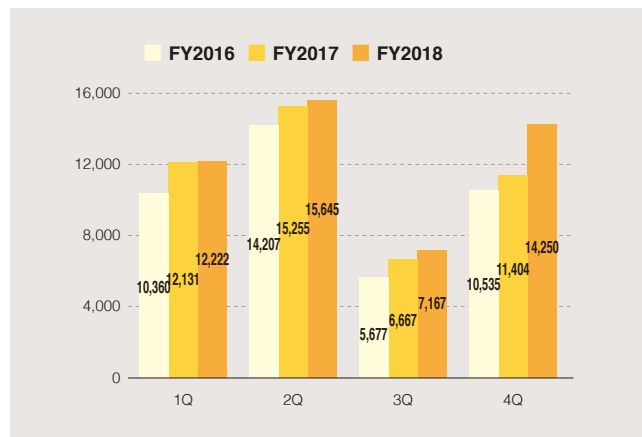
Quarterly Net Sales

(Billions of yen)



Quarterly Ordinary Income

(Millions of yen)



Overview of Business Segments

■ System Integration Business

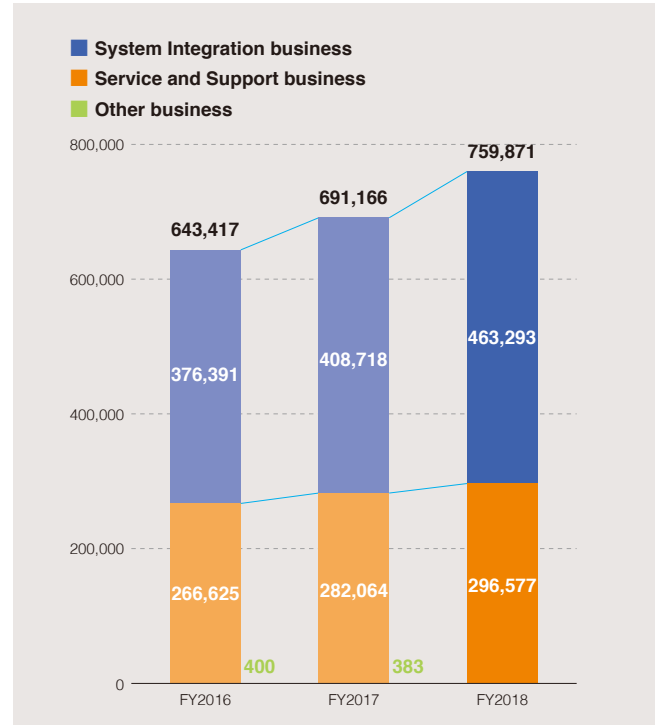
The System Integration business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. We recorded high growth in unit sales of PCs by meeting replacement demand. Additionally, we also achieved smooth growth in sales of packaged software and consigned software. As a result, net sales increased 13.4% from the previous fiscal year to ¥463,293 million. On the other hand, unit sales of copiers declined from 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 together with the “tayoreru” support service business recorded steady growth in sales, which led to a 5.1% increase in net sales from the previous fiscal year to ¥296,577 million.

Net Sales by Segments

(Millions of yen)



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