

Outlook for Fiscal 2010

■ Strong Needs for IT Utilization

The direction of the Japanese economy is uncertain. On one hand, there are expectations of a mild recovery driven by external demand, while conversely, the economy appears to be approaching a standstill due to the weak self-resilience of the recovery, sluggish domestic demand and the waning effects of economic stimulus measures. Companies are still maintaining a prudent approach toward capital investment and there are concerns that a recovery will lag.

At the same time, however, there are also strong needs by companies for utilizing IT to reduce costs and enhance productivity. Besides demand for replacing and upgrading IT, including for updating systems introduced in response to the Y2K problem, making environmental responses by introducing power-saving products and responding to the implementation of

IPv6 (preparations for IPv4 address exhaustion), there are expectations that the IT market will be stimulated by Windows 7, Windows 2008 Server R2, server virtualization technologies and WiMAX and other high-speed wireless communication services.

Under these conditions, in keeping with its fiscal 2010 slogan of “Live up to customers’ trust via IT and Vitalize office,” the Group will strengthen customer contact by placing greater emphasis on one-stop solutions and one-stop service and propose highly effective systems that utilize the Group’s total strengths. These include comprehensive proposals and combined system proposals that link mission critical systems with information systems, as well as proposals for making network improvements.

Basic Principle and Mid-term Plans

Basic principle

- Grow with customers by realizing the Mission Statement

Mid-term plans

- Workforce basically remains flat
- Strive to expand business by increasing revenues and profits
 - Aim to achieve 7% in operating income to net sales ratio and ordinary income to net sales ratio
- Cultivate new demand by utilizing customer information
- Effective use of people/materials/money to improve per head productivity

IT Market Forecast in 2010

- Economy is starting to pick up but there are uncertainties about the future.
- Corporations are prudently investing in equipment.
- Nonetheless, company needs for IT utilization, replacement and upgrades are brisk.
- Weak growth is expected in the first half of the term and the market is anticipated to recover after the second half of the term.

Strategies by Segment

In the System Integration business, we will focus closely on IT investment trends according to company size, while further promoting comprehensive proposals and combined system proposals that combine copiers, computers, telephones, facsimile machines and communication lines.

In the Service and Support business, the OTSUKA Group will strive to further expand sales volume in our “tanomail” office supply mail-order service business, which will include upgrading our line of new products as well as enhancing our lineup of “TANOSEE” private brand products. In our “tayoreru” support service business, we will offer a new menu of services that are not reliant on hardware.

Policies and Measures in 2010

Slogan

“Live up to customers' trust via IT and Vitalize office”

- Strengthen customer contact by placing greater emphasis on one-stop solutions and one-stop support.
- Identify IT needs by recognizing changes in market.
- Deepen ties with existing customers while cultivating new customers.
- Promote comprehensive proposals and combined system proposals.
- Strengthen accumulated business.

Forecast for Fiscal 2010

In fiscal 2010, the Company forecasts a 4.9% increase in consolidated net sales to ¥451,000 million, a 3.8% increase in operating income to ¥16,700 million, a 3.5% increase in ordinary income to ¥17,000 million and a 4.3% increase in net income to ¥9,160 million.

By segment, we forecast a 6.0% increase in net sales to ¥240,330 million in the System Integration business, a 3.7% increase to ¥208,340 million in the Service and Support business and a 1.3% rise to ¥2,330 million in the Other business.

Forecast for Consolidated Net Sales and Income (Millions of yen)

	Fiscal 2009	Fiscal 2010 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	429,927	451,000	+4.9%
Operating income	16,094	16,700	+3.8%
Ordinary income	16,427	17,000	+3.5%
Net income	8,782	9,160	+4.3%

Forecast for Consolidated Net Sales by Segment (Millions of yen)

	Fiscal 2009	Fiscal 2010 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	226,688	240,330	+6.0%
Service and Support business	200,938	208,340	+3.7%
Other business	2,300	2,330	+1.3%