

Outlook for Fiscal 2016

■ Corporate IT Investments Expected to Remain Stable

In the future, the Japanese economy is expected to continue a modest recovery. Nevertheless, there are reasons for concern such as an increase in U.S. interest rates, trends in the Chinese economy, the impact of declining crude oil prices and geopolitical risk, thus cautious actions are forecast in some of these areas.

Under these economic conditions, domestic companies need to continue making aggressive investments for raising productivity and strengthening competitiveness while also starting preparations for responding to the operation of the Social Security and Tax Number (“My Number”) System and the introduction of reduced consumption tax rates. As a result, corporate IT investments are forecast to trend firmly in the future as well.

■ Proposing Solutions Using Our Total Strengths

Given the above economic conditions and outlook for corporate IT investments, the Group will respond to the Social Security and Tax Number (“My Number”) System and the reduced consumption tax rates as well as provide support for raising productivity and increasing the earnings power of domestic companies by utilizing our numerous products and services to enhance and improve the systems environments of our customers. To do so, we will further strengthen our contact with customers and propose solutions utilizing our total strengths. We will also bolster our lineup of appealing office supplies and develop a lineup of maintenance services that support improvements in productivity of corporate activities and reduce burdens. At the same time, we will strengthen our accumulated business; build stable and long-term business relationships with customers; and strengthen our earnings foundation. Additionally, in terms of both human resources development and structures, we will raise the level of our sales capabilities and support capabilities and strive to further raise productivity.

Market Forecast in 2016

- Moderate growth in the Japanese economy despite uncertainty in the global economy
- Growing labor shortages
- Demand for raising productivity through aggressive IT investment
- Market expansion of tablet devices
- Upgrade to Windows 10 will be accelerated toward the end of free upgrade period
- Full-scale operation of the Social Security and Tax Number (“My Number”) System
- Response to introduction of reduced consumption tax rates
- Electricity liberalization
- Strong demand by companies for IT utilization and energy-saving

Policies and Measures in 2016

- “Vitalize office with solutions and live up to customer trust”
- Proposal of solutions to enhance productivity and labor saving
 - Expansion of business items with customers and cross-selling
 - Proposal of client utilization focusing on tablet devices
 - Strengthening of optical communication lines and network solutions
 - Help customers respond to “My Number” or reduced consumption tax rates
 - Measures to raise the level of performance such as “Virtual Manager”

■ Strategies by Segment

In the System Integration business, we will focus closely on corporate IT investment trends and IT utilization needs, further promote comprehensive proposals and combined system proposals that combine copiers, computers, tablets and other mobile devices, telephones, optical lines, Wi-Fi environments and security products as we strengthen our solutions proposals. In responding to the Social Security and Tax Number (“My Number”) System, we will not just merely respond to this new system but also will actively make added-value proposals that help to further raise productivity and reduce costs within the environments established for responding to this system.

In the Service and Support business, the OTSUKA Group will upgrade and expand our lineup of products matched to customer needs and enhance our lineup of “TANOSEE” private-brand products in our “tanomail” office supply mail-order service business. At the same time, we will further strengthen our contact with customers to stimulate sales. In our “tayoreru” support service business, we will develop operational agent-type services and security-related services and strengthen new services that are not reliant on hardware.

■ Forecast for Fiscal 2016

In fiscal 2016 the Company forecasts a 4.9% increase in consolidated net sales to ¥639,000 million, a 7.2% increase in operating income to ¥40,000 million, a 5.9% increase in ordinary income to ¥40,500 million and a 6.2% increase in net income attributable to owners of the parent to ¥25,180 million.

By segment, we forecast a 5.0% increase in net sales to ¥370,880 million in the System Integration business, a 4.8% increase to ¥267,740 million in the Service and Support business and a 1.5% decrease to ¥380 million in the Other Business.

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

	Fiscal 2015	Fiscal 2016 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	609,045	639,000	+4.9%
Operating income	37,311	40,000	+7.2%
Ordinary income	38,240	40,500	+5.9%
Net income*	23,705	25,180	+6.2%

*Net income attributable to owners of parent

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

	Fiscal 2015	Fiscal 2016 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	353,170	370,880	+5.0%
Service and Support business	255,490	267,740	+4.8%
Other business	385	380	-1.5%