

Outlook for Fiscal 2017

■ Corporate IT Investments Expected to Remain Stable

In the future, the Japanese economy is expected to continue a modest recovery. Nevertheless, there are also reasons for concern such as the direction of U.S. policies, the movement of exchange rates, trends in the Chinese economy and geopolitical risk, thus cautious actions are forecast in some of these areas.

Under these economic conditions, domestic companies need to continue making aggressive IT investments for strengthening competitiveness. Moreover, there is a need for responding to the sophistication of security measures and to work style reform as well as a rising interest in new IT and IT application fields. Due to these factors, corporate IT investments are forecast to trend firmly in the future as well.

■ Proposing Regional-based Solutions

Given the above economic conditions and outlook for corporate IT investments, the Group will continue to utilize our wide range of products and services, which is OTSUKA CORPORATION's strength, and add more high-added-value services with the aim of further raising the level of our proposals while also securing new customers. To do so, we will step up the implementation of regional-led business management and utilize on-site capabilities to strengthen our regional-based solutions proposals that solve issues faced by customers. We will also bolster our lineup of appealing office supplies and develop a lineup of maintenance services that support a reduction of burdens from corporate activities as part of efforts to strengthen our accumulated business, build stable and long-term business relationships with customers and strengthen our earnings foundation.

Market Forecast in 2017

- Continued moderate growth despite uncertainty in Japan and overseas
- Demand for aggressive IT investment, raising productivity and cost reductions
- Rising interest in new IT and IT application fields
- Spread of work style reform
- Strong demand by companies for IT utilization and energy-saving

Policies and Measures in 2017

- "Solve customer troubles on all fronts and live up to customer trust"
- Strengthen on-site capabilities and customer contact points through business management led by local area sales groups
 - Expansion of business items with customers and cross-selling
 - Utilize IT to support work style reform
 - Respond to the sophistication of security
 - Strengthen initiatives for responding to new technologies
 - Strengthening of optical communication lines and proposal of network solutions

■ 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-related equipment as we strengthen our solutions proposals.

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 strengthen new services that are not reliant on hardware.

■ Forecast for Fiscal 2017

In fiscal 2017 the Company forecasts a 4.3% increase in consolidated net sales to ¥671,000 million, a 3.3% increase in operating income to ¥41,000 million, a 2.0% increase in ordinary income to ¥41,600 million and a 2.3% increase in profit attributable to owners of parent to ¥27,280 million.

By segment, we forecast a 4.1% increase in net sales to ¥391,730 million in the System Integration business, a 4.6% increase to ¥278,910 million in the Service and Support business and a 10.2% decrease to ¥360 million in the Other business.

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

	Fiscal 2016	Fiscal 2017 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	643,417	671,000	+4.3%
Operating income	39,684	41,000	+3.3%
Ordinary income	40,780	41,600	+2.0%
Net income*	26,675	27,280	+2.3%

*Profit attributable to owners of parent

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

	Fiscal 2016	Fiscal 2017 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	376,391	391,730	+4.1%
Service and Support business	266,625	278,910	+4.6%
Other business	400	360	-10.2%