

Outlook for Fiscal 2018

■ 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 abrupt changes in financial markets, inward-looking policies in the United States and geopolitical risk, and thus cautious actions are anticipated in some areas.

Under these conditions, amid strengthened economic measures in addition to strong business results by Japanese companies as well as the establishment of an infrastructure for the Tokyo Olympics, there is expected to be demand for responding to work style reform and labor shortages and also rising interest in utilizing new technologies such as artificial intelligence (AI) and the Internet of Things (IoT). Due to such factors, corporate IT investments are forecast to continue to trend firmly.

■ Proposing Solutions by Strengthening On-site Capabilities

Given the above economic conditions and outlook for corporate IT investments, the Company will provide specific and easy-to-understand proposals that utilize our wide range of products and services, which is OTSUKA CORPORATION's strength. In conjunction, we will promote efforts to secure new customers. To do so, we will further promote regional-led business management and strengthen on-site capabilities to ensure we can propose solutions that earn the trust and satisfaction of customers. We will also continue to strengthen our lineup of office supplies and develop a lineup of maintenance services to bolster the accumulated business and enhance our earnings foundation based on stable and long-term business relationships with customers.

Market Forecast in 2018

- Continued moderate growth in Japan and overseas
- Demand for aggressive IT investment, raising productivity and cost reductions
- Demand for responding to labor shortages and for labor-savings
- Rising interest in new IT such as AI and IoT
- Further progression of work style reform
- Strong demand by companies for IT utilization and energy-saving

Policies and Measures in 2018

"Leverage solutions 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
- Promote and support work style reform
- Strengthen initiatives such as for AI and IoT
- Strengthening of proposal of network solutions

■ Strategies by Segment

In the System Integration business, we will focus closely on replacement demand trends, mainly for PCs, as well as on needs in work style reform, improving productivity and reducing costs. We will also further promote comprehensive proposals and combined system proposals that combine copiers, computers, tablets and other mobile devices, optical lines and Wi-Fi-based communication environments and security-related equipment as we strengthen our solutions proposals.

In the Service and Support business, the OTSUKA Group will continue to 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. In our “tayoreru” support service business, we will develop comprehensive operational agent-type services and other services that can help compensate for our customers’ shortages of IT personnel. Moreover, we will enhance schemes, centering on “Customer Personalized Pages” that support the building of relationships with customers.

■ Forecast for Fiscal 2018

In fiscal 2018 the Company forecasts a 4.2% increase in consolidated net sales to ¥720,000 million, a 6.6% increase in operating income to ¥47,300 million, a 5.6% increase in ordinary income to ¥48,000 million and a 1.0% increase in profit attributable to owners of parent to ¥31,880 million.

By segment, we forecast a 4.3% increase in net sales to ¥426,420 million in the System Integration business a 4.1% increase to ¥293,580 million in the Service and Support business.

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

	Fiscal 2017	Fiscal 2018 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	691,166	720,000	+4.2%
Operating income	44,386	47,300	+6.6%
Ordinary income	45,460	48,000	+5.6%
Net income*	31,560	31,880	+1.0%

*Profit attributable to owners of parent

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

	Fiscal 2017	Fiscal 2018 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	408,718	426,420	+4.3%
Service and Support business	282,064	293,580	+4.1%
Other business	383	—	—