

Outlook for Fiscal 2019

■ Corporate IT Investments Expected to Remain Stable

In the future, uncertainties in the global economy such as U.S.-China trade frictions and rapid changes in international financial markets are creating risks that could push down the Japanese economy. Nevertheless, the Japanese economy is forecast to continue a moderate recovery driven by expected brisk domestic demand that includes a pickup in personal consumption and an increase in capital investment.

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 as well as rising interest in utilizing new technologies such as artificial intelligence (AI), robotic process automation (RPA) and the Internet of Things (IoT). Moreover, there will also be several notable events from 2019 through 2020 that include a change in the name of the era denoting Japan's emperor, a revision of the consumption tax rate and the ending of support for Windows 7. Due to such factors, corporate IT investments are forecast to continue to trend firmly.

■ OTSUKA CORPORATION for the Entire Office

Given the above economic conditions and outlook for corporate IT investments, under its policy "For the Entire Office," the OTSUKA Group will utilize our wide range of products and services, which is OTSUKA CORPORATION's strength, to provide high-added-value, specific and easy-to-understand proposals that can solve various office issues and contribute to the growth of our customers. In conjunction, we will carry out activities that enable customers that we have had no transactions with until now to understand the benefits of doing business with the OTSUKA Group.

To do so, we will further promote regional-led business management, strengthen customer contact points and strengthen on-site capabilities to ensure we can utilize the information gained from these activities for proposing solutions that solve office issues faced by customers.

Moreover, 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 2019

- Continued moderate growth of the Japanese economy
- Demand for aggressive IT investment, raising productivity and cost reductions
- Demand for responding to labor shortages and for labor-savings
- Market expansion in new domains such as AI and IoT
- Office "2020 Problem"
- Strong demand by companies for IT utilization and energy-saving

Policies and Measures in 2019

- "Leverage solutions from the perspective of customers and live up to customer trust"
- Further deepen business management led by local area sales groups
- "OTSUKA CORPORATION for the entire office"
- Utilize AI internally and provide to customers
- Strengthen solution proposals for the office "2020 Problem"

■ 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 products and services as we strengthen our solutions proposals. For copiers as well, we will continue to thoroughly implement our sales strategies.

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 “tanomail,” which marked its 20th year since commencing services. 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 2019

In fiscal 2019 the Company forecasts a 5.7% increase in consolidated net sales to ¥803,000 million, a 4.9% increase in operating income to ¥50,400 million, a 3.9% increase in ordinary income to ¥51,200 million and a 1.8% increase in profit attributable to owners of parent to ¥34,210 million.

By segment, we forecast a 6.0% increase in net sales to ¥491,150 million in the System Integration business and a 5.1% increase to ¥311,850 million in the Service and Support business.

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

	Fiscal 2018	Fiscal 2019 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	759,871	803,000	+5.7%
Operating income	48,058	50,400	+4.9%
Ordinary income	49,285	51,200	+3.9%
Net income*	33,601	34,210	+1.8%

*Profit attributable to owners of parent

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

	Fiscal 2018	Fiscal 2019 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	463,293	491,150	+6.0%
Service and Support business	296,577	311,850	+5.1%