

Outlook for Fiscal 2020

■ Corporate IT Investments Expected to Remain Stable

In the future, the Japanese economy is forecast to sustain a moderate recovery in advance of such large-scale events as the Tokyo Olympics. Nevertheless, there is also expected to be some areas of weakness that include worsening business sentiment in manufacturing industries due to concerns about slowing external demand.

Under these economic conditions, Japanese companies are maintaining a proactive stance toward capital investment and software investment. At the same time, companies are required to respond to laws concerning work style reform, strengthen their security and utilize such technologies as artificial intelligence (AI), the Internet of Things (IoT) and 5G. As a result, 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, we will support small- and medium-sized enterprises that must respond to work style reform by proposing solutions that realize productivity improvements and cost reductions that exceed the costs of responding to these reforms while grasping market needs. Moreover, with the aim of forging new relationships with customers, we will leverage AI and other technologies to support sales activities, enhance center functions to respond to customers that cannot be covered by sales activities and enhance our Customer Personalized Pages* (Customer My Page) portal site for becoming closer to customers, as well as increase customer contact points and further enhance the efficiency of sales activities.

Through these activities, the OTSUKA Group will work to turn one-time customers into lifelong customers, while under our “For the Entire Office” policy we will continue to provide high-added-value proposals that utilize the Group’s wide range of products and services, which is the Group’s strength. Besides these measures, we will 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 Environment in 2020

- Domestic economy is stable although there are areas of weakness
- Promotion of work style reforms as well as IT introduction at SMEs for boosting productivity
- Expansion of markets such as AI, IoT and 5G
- Large-scale events such as the Olympics and Paralympics
- Strong demand by companies for IT utilization and energy-saving

Policies and Measures in 2020

- “Leverage solutions from the perspective of customers and live up to customer trust.”
- Work style reforms, especially responses for SMEs and improving productivity
 - Realize “Entire Office” by further raising customer satisfaction
 - Update the 8.13 million units remaining in the Windows 7 corporate market
 - Responses for realizing the Ministry of Education, Culture, Sports, Science and Technology (MEXT) GIGA school concept
 - Full-fledged implementation of Otsuka Strategy II

*Customer Personalized Pages: This is a customer portal site that provides numerous customers with convenient services to enable us to get closer to customers and help create relationships with customers through the Web.

■ Strategies by Segment

In the System Integration business, we will respond to work style reform and identify needs for improving productivity and reducing costs. We will also promote comprehensive proposals and combined system proposals that combine products and services 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 “tanomail.” In our “tayoreru” support service business, we will develop services that enable customers to carry out their corporate activities securely and safely along with services that can help compensate for our customers’ shortages of IT personnel.

■ Forecast for Fiscal 2020

In fiscal 2020 the Company forecasts a 2.5% decrease in consolidated net sales to ¥864,000 million, a 2.4% increase in operating profit to ¥63,700 million, a 1.4% increase in ordinary profit to ¥64,600 million and a 0.1% increase in profit attributable to owners of parent to ¥43,530 million.

By segment, we forecast a 6.1% decrease in net sales to ¥543,550 million in the System Integration business and a 4.1% increase to ¥320,450 million in the Service and Support business.

Our results forecast for fiscal 2020 is in accordance with average growth rates. The forecast for consolidated business results is shown above. Nonetheless, the OTSUKA Group will thoroughly implement the previously mentioned policies and activities and aim for increases in net sales, profits and dividends for the 11th consecutive fiscal year.

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

	Fiscal 2019	Fiscal 2020 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	886,536	864,000	-2.5%
Operating profit	62,192	63,700	+2.4%
Ordinary profit	63,706	64,600	+1.4%
Pprofit*	43,497	43,530	+0.1%

*Profit attributable to owners of parent

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

	Fiscal 2019	Fiscal 2020 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	578,698	543,550	-6.1%
Service and Support business	307,837	320,450	+4.1%