

Forecast for Fiscal 2007

■ Management Improvement by Utilizing IT

Looking ahead, although there are concerns over how materials costs such as crude oil will impact corporate earnings, as well as U.S. economic trends, strong corporate capital investment and improving employment conditions are expected to contribute to continued expansion of the Japanese economy.

Within this context, companies of every size and industry must employ IT in order to resolve their management issues. In particular, developing an internal control structure is a pressing management concern among corporations following the announcement of the Implementation Standards for Evaluation and Auditing of Internal Control over Financial Reporting under the

Financial Instruments and Exchange Law, and will likely translate into a gradual increase in IT investment. Predictions also call for brisk demand for updating information system infrastructures, including replacing communication lines.

The OTSUKA Group takes the client's perspective in order to resolve their management issues under the fiscal 2007 slogan "Respond to customers' trust from their viewpoint and grow with customers" and offers one-stop solutions and one-stop support that relies on the comprehensive strengths of the Group. The Group will aim to grow with its customers, work to achieve its Mission Statement and seek to further enhance its enterprise value.

Medium-term Goals and Action Principles

Basic principle

- Grow with customers through realization of the Mission Statement

Mid-term plan

- Work-force basically remains flat
- Strive to expand business by increasing revenues and profits
Target operating income and recurring profit to net sales ratio of 6.5%
- Spur new demand with the help of the customer information
- Effective use of individuals/materials/capital and increasing productivity

■ Specific Policies

The slogan for fiscal 2007 is:

“Respond to customers’ trust from their viewpoint and grow with customers”

Specific Policies

1. Expand business with existing customers

The Company has business dealings with some 700,000 companies ranging in size from very large enterprises to small firms, and accordingly, will work to expand the number of items per company.

2. Promote further development and utilization of “SPR”

The number of information entry in “SPR” has significantly increased, and has been a factor in improving companies’ performance. Further development and utilization of “SPR” will be pursued to promote optimal proposals solutions with increased efficiency.

3. Raising Productivity through the Sales Support Center

The Company established the Sales Support Center, where sales personnel concentrate on conducting surveys, drafting proposals, preparing estimates and other such tasks. Further increases in productivity are being targeted by promoting utilization of the Center.

4. Use “tanomail” to acquire new customers

There will be further emphasis on employing “tanomail” to acquire new customers, using the service as a portal linked to the provision of one-stop solutions.

5. Expansion and Improvement of “tayoreru” menu

The Company will offer one-stop solutions for every aspect of customer businesses by creating a new menu and expanding content.

■ Forecast for Fiscal 2007

The Company forecasts that in fiscal 2007, net sales will increase 4.7%, to ¥454 billion; operating income will rise 7.8%, to ¥28.2 billion; recurring profit will increase 7.6%, to ¥28.5 billion; and net income will expand 2.4%, to ¥16.0 billion.

By segment, projections call for a 2.5% increase in sales, to ¥270,030 million, in the System Integration Business; an 8.4% rise in sales, to ¥182,866 million, in the Service and Support Business; and a 25.9% decline in sales, to ¥1,104 million, in the Other Business.

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

	Fiscal 2006	Fiscal 2007 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	433,617	454,000	+4.7%
Operating income	26,158	28,200	+7.8%
Recurring profit	26,494	28,500	+7.6%
Net income	15,621	16,000	+2.4%

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

	Fiscal 2006	Fiscal 2007 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration Business	263,425	270,030	+2.5%
Service and Support Business	168,701	182,866	+8.4%
Other Business	1,490	1,104	-25.9%