

Outlook for Fiscal 2011

■ Corporate IT Investment Expected to be Brisk

The outlook for the Japanese economy is uncertain. On one hand there are perceptions that following a temporary lull, the Japanese economy will achieve a mild recovery led by external demand due to a pickup in overseas economies. On the other hand, conditions in the employment and income environments remain severe and the self-resilience of the recovery is weak. Although capital investment by companies is recovering moderately, companies are still maintaining a cautious approach toward investment and there are concerns that more time will be needed before a full-fledged recovery is realized.

Amid this economic environment, despite the cautious investment stance, IT investment by companies, starting with investment by large companies, is expected to recover moderately and become brisk. Besides demand for replacing and upgrading IT, including a second round of demand for updating systems introduced in response to the Y2K problem, making environmental responses by introducing power-saving products and responding to the implementation of IPv6 (responses to IPv4 address exhaustion), there are expectations that the IT market will be stimulated by server virtualization and integration, tablet PCs and other multifunctional terminal businesses and the spread of high-speed wireless communications and that new markets will be created.

Additionally, there is also expected to be a widening use of external services, including cloud computing services and BPO (business process outsourcing).

■ Strengthening Customer Contact

Given these economic conditions and outlook for company IT investment, in keeping with its fiscal 2011 slogan of “Live up to customers’ trust and vitalize office via IT,” under a strengthened community-based sales structure, the Group will strengthen customer contact by improving one-stop solutions and one-stop support, actively propose systems that raise productivity and that are highly cost effective, and deploy the Group’s overall strengths more than ever before.

At the same time, we will strengthen our product lineup by upgrading and expanding package products that combine multiple products and services; fortify our accumulated business, including developing appealing maintenance services; build stable and long-term business relationships with customers; and strengthen our earnings foundation.

In 2011, as we mark the milestone of the 50th anniversary of our founding, we will strive to become a corporate Group that is trusted and supported by society by strengthening our social contribution activities and environmental response businesses.

Policies and Measures in 2011

Slogan

“Live up to customers’ trust and vitalize office via IT”

- **Strengthen customer contact by placing greater emphasis on one-stop solutions and one-stop support.**
- **Identify IT needs by recognizing changes in market.**
- **Deepen ties with existing customers while cultivating new customers.**
- **Promote comprehensive proposals and combined system proposals.**
- **Strengthen accumulated business.**

■ Strategies by Segment

In the System Integration business, we will focus closely on company IT investment trends and IT utilization needs, while further promoting comprehensive proposals and combined system proposals that combine copiers, computers, telephones, facsimile machines and communication lines.

In the Service and Support business, the OTSUKA Group will strive to upgrade and expand our line of new products 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 work to take advantage of the recovery in the System Integration business to achieve an increase in maintenance and other service contracts, and in conjunction with these efforts, we will increase our services that are not reliant on hardware.

■ Forecast for Fiscal 2011

In fiscal 2011, the Company forecasts a 4.9% increase in consolidated net sales to ¥486,000 million, a 10.4% increase in operating income to ¥21,000 million, a 10.2% increase in ordinary income to ¥21,500 million and a 0.8% increase in net income to ¥10,720 million.

By segment, we forecast a 5.7% increase in net sales to ¥268,100 million in the System Integration business, a 4.1% increase to ¥216,500 million in the Service and Support business and a 27.9% decrease to ¥1,400 million in the Other business.

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

	Fiscal 2010	Fiscal 2011 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	463,493	486,000	+4.9%
Operating income	19,013	21,000	+10.4%
Ordinary income	19,508	21,500	+10.2%
Net income	10,631	10,720	+0.8%

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

	Fiscal 2010	Fiscal 2011 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	253,541	268,100	+5.7%
Service and Support business	208,008	216,500	+4.1%
Other business	1,942	1,400	-27.9%