

Outlook for Fiscal 2022

■ Corporate IT Investment Expected to Trend Firmly

There is a sense of uncertainty about the future amid concerns in Japan of a sixth wave of the novel coronavirus in addition to the impact of high resource prices and supply restrictions on some products due to semiconductor shortages, while overseas there are various geopolitical risks. Nevertheless, the economy is expected to recover modestly as economic activities gradually head toward normalization.

Under these economic conditions, corporate IT investment is expected to trend firmly as companies need to respond to digitization and utilize technologies such as AI/IT and 5G with the aim of improving operational efficiency and strengthening competitiveness.

■ Supporting Customers' Initiatives to Promote DX

On the premise of the above economic situation and outlook for domestic IT investment trends, in addition to Web-based online sales activities and customer visits that consider customer safety, the OTSUKA Group will strengthen customer contact points by combining diverse channels such as each center function that assists with sales activities and support activities and its Customer Personalized Pages*.

Specifically, based on the policy “Get close to our customers and grow together through DX (digital transformation) and all our products,” which is our fiscal 2022 slogan, OTSUKA CORPORATION will leverage the know-how and experience cultivated to the present and will support customers' efforts to promote DX. Among these efforts, for small and medium-sized customers that are lagging behind in digitization, besides supporting digitization, we will combine our wide range of products and services as part of efforts to resolve management issues faced by each customer by proposing solutions that improve productivity, strengthen competitiveness and reduce costs. In addition to these, we will strengthen our accumulated business and enhance our earnings base by developing an array of office supply products and a maintenance service lineup. We will also contribute to society by providing services and solutions that utilize IT to address social issues such as environmental, social and governance (ESG) elements and the Sustainable Development Goals (SDGs). From fiscal 2022, we will also implement various measures for the purpose of fortifying human capital.

* 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, OTSUKA CORPORATION will undertake safe and efficient sales activities and work to identify needs, such as for the digitization of documents, improving productivity, strengthening competitiveness and reducing costs. In addition, to promote the digitization of our customers' business operations, we will get close to our customers and continue to propose high value-added solutions that utilize our extensive range of products, which is one of the OTSUKA Group's strengths.

In the Service and Support business, we will work to strengthen our competitiveness and expand markets in the "tanomail" business. In the "tayoreru" business we will raise convenience, work to develop services that enable customers to continue their business activities safely and with a sense of security as well as services that can supplement the shortage of customers' IT human resources and ensure that these efforts lead to a steady increase in sales.

■ Forecast for Fiscal 2022

Because the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) will be adopted from the beginning of fiscal 2022, the forecast for consolidated business results for the next fiscal year will be for the sales amount after the application of this accounting standard. The impact on operating profit, ordinary profit and profit attributable to owners of parent will be minor.

Beside the previously mentioned investments in human capital, selling, general and administrative (SG&A) expenses are expected to increase due to factors such as upfront investment costs for the Yokohama Distribution Center, which started operation last year as our third distribution base in the Tokyo metropolitan area. Accordingly, our forecast for fiscal 2022 is as follows.

In fiscal 2022 the Company forecasts a 2.8% decrease in consolidated net sales to ¥828,000 million, a 4.0% decrease in operating profit to ¥53,600 million, a 5.3% decrease in ordinary profit to ¥54,500 million and an 8.2% decrease in profit attributable to owners of parent to ¥36,650 million.

By segment, we forecast a 1.8% decrease in net sales to ¥514,000 million in the System Integration business and a 4.4% decrease to ¥314,000 million in the Service and Support business.

It should be noted that assuming the same standard was adopted in fiscal 2021, it would have the impact of increasing sales by 1.2% year on year. By segment, the System Integration business would decrease by 0.9% year on year and the Service and Support business would increase by 4.8% year on year.

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

	Fiscal 2021	Fiscal 2022 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	851,894	828,000	-2.8%
Operating profit	55,827	53,600	-4.0%
Ordinary profit	57,567	54,500	-5.3%
Profit*	39,927	36,650	-8.2%

*Profit attributable to owners of parent

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

	Fiscal 2021	Fiscal 2022 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	523,609	514,000	-1.8%
Service and Support business	328,284	314,000	-4.4%