

OUTLOOK FOR 2010-2011 SUBSCRIPTION RENEWAL BUSINESS

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It is time to get our renewal business started. So, we are presenting our market forecast for the 2011 renewal subscription business with library and institutional market in Japan.

There are a number of factors affecting 2011 renewal business activities. We will therefore summarize those hoping that we are moving toward the right direction to maximize the renewal business performance. They are as following

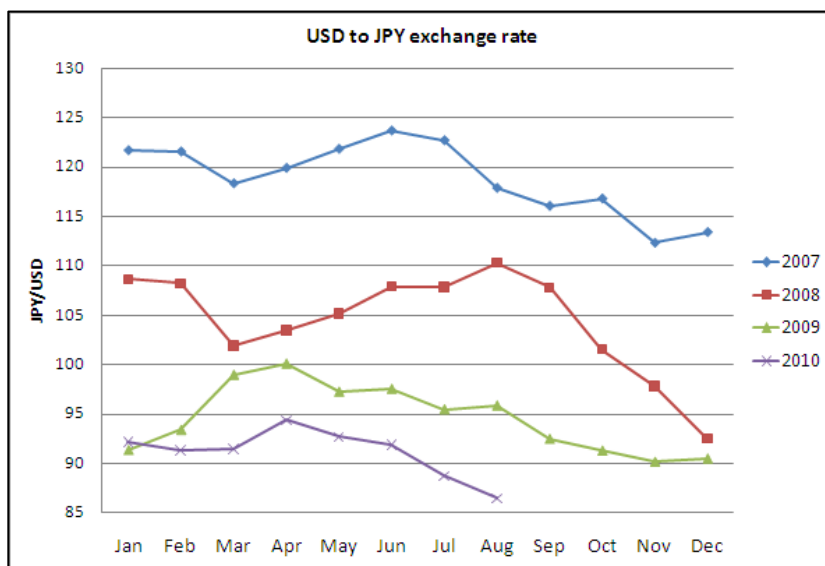
- (1)Economic Situation, both international and domestic
- (2)Political Situation and the government policy
- (3)Globalization and Internet
- (4)Professional Skill of librarians and information professionals
- (5)Library budget for 2010 fiscal year
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- (1)Economic Situation, both international and domestic

The world recession in developed countries also hit the Japanese economy. Furthermore, a deflationary economy here lasting over ten years has reduced the profits and incomes of industries and at individual consumer levels. Library budgets particularly in manufacturing and export industries are inevitably cut substantially. Note that the Japan GDP is now no.3 officially after China due to this recession and matured economy.

On the other hand, however, in the imports businesses, a strong yen benefits both the business also consumers too. Thus, this resulted in higher renewal rate during 2010 subscriptions business and we hope this will continue for 2011 subscription business. Please see the historical currency exchange fluctuations over the past five years.

Another big issue is the nation's



great concern about an ever-decreasing population. The average birth rate among young families has fallen to fewer than two children which in the long run will reduce students and teachers, schools and research institutions. There already is a sign that small colleges and universities are unable to fill their classes with new students.

(2) Political Situation and the government policy

The LDP [Liberal Democratic Party] regime which led the Japanese government for over fifty years were replaced by the DPJ [Democratic Party of Japan] last September. They intend to overhaul the existing national political and economic systems led by government bureaucrats and the LDP. Their attempt to recover power from the control of bureaucrats by changing the old and established government rules and systems seems to be successful so far. The DPJ basic policy is a big government with welfare support for children and lower income people, and subsidies for weak industries like farming, while at the same time promoting scientific and technological research activities.

These policies have made the annual budget much bigger in 2010 and 2011.

On the other hand, the DPJ government has tried to cut unnecessary spending through budget screening, however, it seems to be not so successful. This action has also hit some governmental institutions engaged in the promotion of scientific and technological research activities.

The following data shows the 2011 budget application of the Ministry of Education, Culture, Sports, Science and Technology-Japan. This budget negotiation will start in early fall, but it is still in the mist and we hope it is not lost.

(3) Globalization and Internet

The globalization of the economy across borders and the use of the internet has almost changed the distribution of information business from publishers to their readers, and intermediaries are forced to keep up with these big changes. Traditional booksellers and subscription agents specialized in imported retail of print publications have decreased substantially or have been replaced by foreign distributors like Amazon etc.. For e-contents business, only several distributors with IT skill and with their own strong sales network with customers will survive.

(4) Professional Skill of librarians and information professionals

Due to deep budget cuts, libraries have been forced to reduce not only additions to their collections but also, library staff members. - Thus, either they will reduce their professional staff or they will be replaced by outsourced staff whose professional skills do not satisfy the needs of their patrons. This is the common case with corporations and in some private universities. We have a serious

concern about this type of budget cut if the lowered level of library service will accelerate reductions of libraries, particularly at corporate customers.

(5)Library budget for 2010 fiscal year

Most Japanese institutions, — academic, corporate and research organizations - start their fiscal year in April. Therefore their scope of spending for 2011 renewals are already set. We observe there are cuts in library budgets among national and private universities which, we roughly estimate to be around 10%.

Those budgets however, do not consider currency fluctuations. They are based in Yen and normally the Yen appreciation after April has not been considered. In this sense, libraries are hoping to sustain their collections of titles of 2010.

(6)A summary for the market outlook for 2010 renewals

In summary, the strong yen which stands at \$1.00 = ¥85 this year will help higher renewal rates following 2010, which also will leave some uncommitted budget in the last quarter [January through March]. We expect that that uncommitted money in 2011 will go to the acquisitions of digital content archives similar to the spring of 2010.

In the long run, it is extremely difficult to forecast the market, however, it is certain that the market will gradually shrink due to the decreasing population. Meanwhile, intermediaries will be continuously asked to undertake reference service activities on behalf of librarians due to the lack of qualified staff members and/or the lack of professional skills, particularly at libraries in corporations and at minor colleges and universities

We realize very well that in this internet age, both librarians and intermediaries should work together to better serve their patrons with quality services needed by both publishers and readers of content.