

Challenges and Forecasts for Fiscal 2004

In the coming fiscal year, while some positive indicators have been seen in the economic climate, numerous factors are compounding to weaken the economy, including lackluster exports against an appreciating yen and depreciating dollar.

Future of the IT Market

Against this backdrop, every company, regardless of size, is being forced to make aggressive use of IT and improve management. Behind this push lies the ongoing dramatic overhaul taking place in B2B trading and mission-critical systems, the spread of ADSL and fiber optics as well as advances in broadband, which will likely further fuel the integration of data, voice and image. We are undoubtedly entering an era in which solutions will have to address customer needs in a more a complex and comprehensive way, including through the integration of mission-critical systems and information systems, infrastructure, applications, digital copiers and computers. This means that merely handling one small field of expertise—be it in computer, copier or communication systems—will no longer enable companies to provide comprehensive solutions.

Achieving the Tenets of the Company Mission Statement

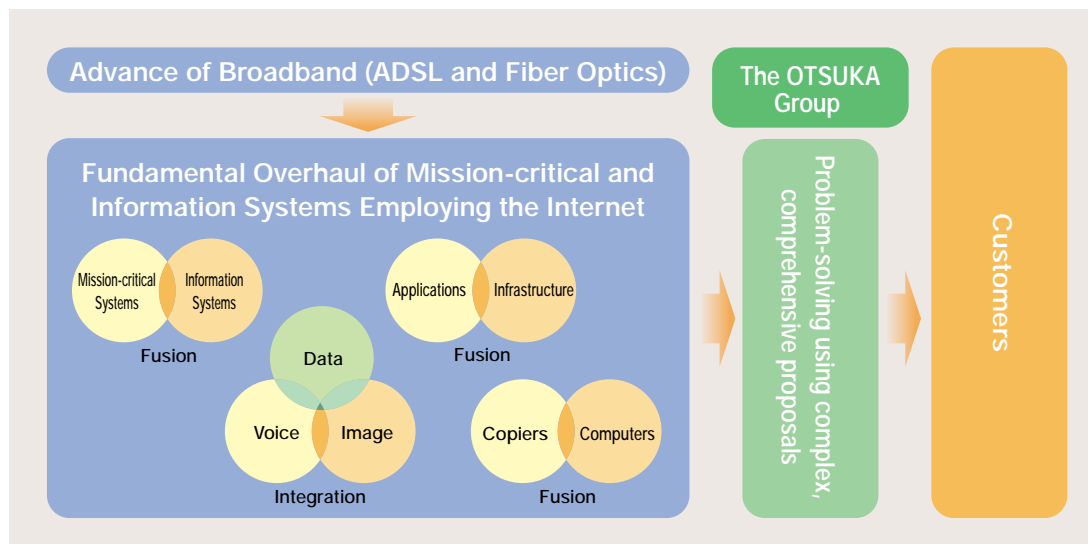
Since its founding, the OTSUKA Group has worked to meet customer needs while also expanding the number of solutions available within the Company from copiers to computers, communication devices and

the Internet, as well as growing the Service and Support Business. In the future, OTSUKA CORPORATION will strive to achieve its Mission Statement using the Company's medium-term management strategy to further raise corporate value. Specifically, the Company will retain and expand its base of regular customers through the promotion of "New-Web Strategy," bolster its "Total α Support 21" support business and maintain profitability while expanding sales in "tanomail," "SMILE" and "ODS21" to further raise the overall value associated with Company projects. To that end, OTSUKA CORPORATION will commit further management resources to fields with promising growth prospects while enhancing Group management.

Forecasts for Fiscal 2004

In the coming fiscal year under review, forecasts call for a 4.2% rise in net sales to ¥359,000 million, a 11.5% climb in recurring profit to ¥10,100 million and a 144.2% jump in net income to ¥6,000 million. A key factor in the dramatic rise in net income is extraordinary income associated with the proxy portion of the employee pension fund.

IT Market and Role of The OTSUKA Group



A Precise Systematic Approach Using “SPR”

The Company employs Sales Process Re-engineering (SPR) as a mechanism for efficiently providing solutions that raise customer satisfaction. “SPR” is an information system developed by OTSUKA CORPORATION and features functions that combine Customer Relationship Management (CRM) with Sales Force Automation (SFA). “SPR” naturally handles customer profile information, but also acts as a database for transaction histories (past), status reports for

submitted proposals (present) and desires and needs (future). The database includes interviews and daily contact information for up to 20,000 companies as well as information on other companies. Analyzing and using this data in various creative ways enables the Company to efficiently provide customers with optimal solutions.

SPR Abbreviation for Sales Process Re-engineering

Proprietary CRM (Customer Management) and SFA (Marketing Support) System

Have accurate customer profiles

Know transaction history with customers (Past)

Know the status of current proposals to customers (Present)

Know about the demands and needs of customers (Future)

Improve CS and efficiency precisely