

Challenges and Forecasts for Fiscal year 2005

■ Future of the IT Market

In the coming term, despite uncertain conditions regarding rising crude oil prices and appreciation of the yen, the Japanese economy is forecast to continue along the path of a prolonged, albeit mild, recovery.

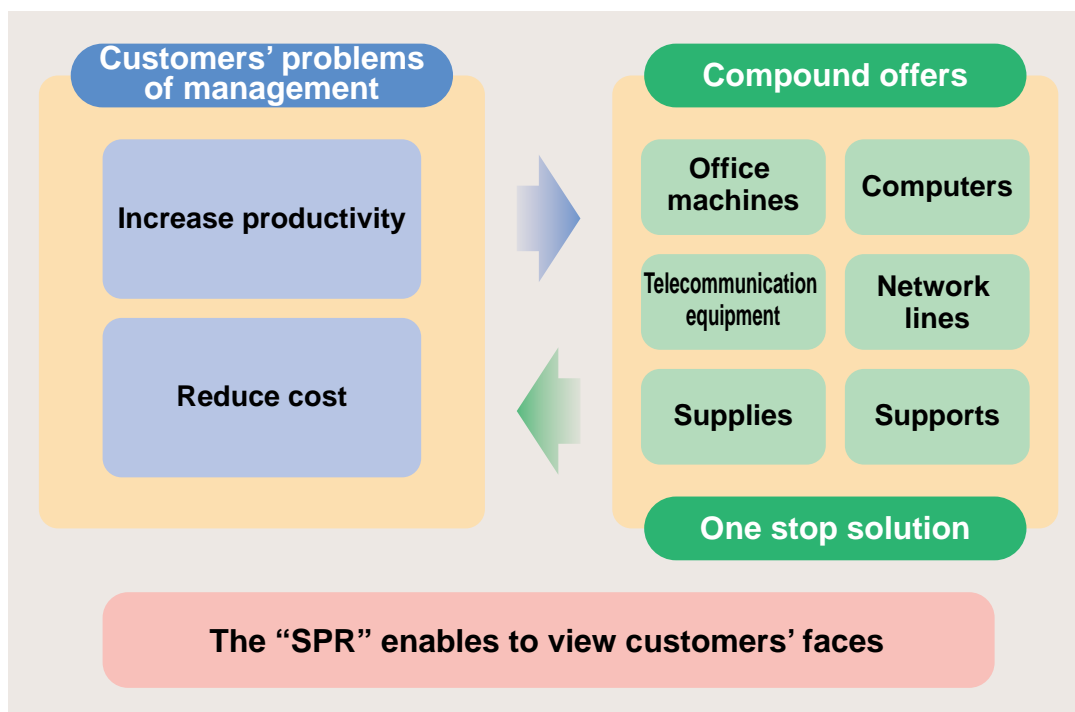
Against this backdrop, every company, regardless of size, is being forced to make aggressive use of IT and improve management. Behind this push lies the dramatic overhaul taking place in B2B trading and mission-critical systems, as well as advances in broadband, which will likely further fuel integration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

■ Growing Alongside Customers and Respond to the Trust

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

OTSUKA CORPORATION will strive to achieve its Mission Statement using the Company's medium-term management strategy and grow with customers by offering management solutions, thereby further enhancing corporate value.

Resolve customers' problems (being in need)



■ Specific Measures

Specifically, the Company will fully cultivate and expand its base of customers through the promotion of “New-Web Strategy.” At the same time, strategic efforts will focus on maintaining profitability and expanding sales by bolstering its “Total α Support 21” support business and by focusing resources on “tanomail,” “ODS21,” “SMILE” and “OSM” businesses, while also thoroughly evaluating designated projects. To that end, OTSUKA CORPORATION will commit further management resources to fields with promising growth prospects while enhancing Group management.

■ Forecasts for Fiscal year 2005

In the coming fiscal year, the Company forecasts a 5.0% increase in net sales to ¥391 billion, a 5.7% rise in recurring profit to ¥18 billion and a 22.5% decrease in net income to ¥8,720 million.

The Mid term goals and Activity principles

Basic principle

- Grow with customers by putting the Mission Statement into effect

Mid term plans

- Work-force basically remains flat
- Strive for expanding business by revenue increase and profit increase
Challenge 5% mark of the Operating income and Recurring profit to Net sales ratio
- Open up new demand by applying the customer asset data
- Effective use of individuals/materials/money and per head productivity increase