To Our Shareholders

I am pleased to announce the results for the fiscal year ended December 31, 2003.

In the fiscal year under review, net sales increased 6.2% to ¥344,377 million. By segment, sales in the System Integration Business increased 2.8% to ¥225,842 million on the back of favorable performance for color copiers, computers and servers. Similarly, sales in the Service and Support Business increased 12.9% to ¥116,665 million as a result of increased sales in the “tanomail” office supply mail-order service and the “Total Support 21” support business.

Despite expenses entailed in relocating to the new head office and withdrawing from over-the-counter sales, operating income was up 15.4% to ¥9,221 million, recurring profit increased 16.6% to ¥9,055 million and net income edged up 2.2% to ¥2,457 million, with record recurring profit achieved for the third consecutive fiscal year.

The OTSUKA Group will further work toward achieving the tenets of our Mission Statement and pursue management reforms that respond to the trust of shareholders.

In fiscal 2004, ending December 31, 2004, the Group is targeting a 4.2% increase in net sales to ¥359,000 million, an 11.5% rise in recurring profit to ¥10,100 million and a 144.2% increase in net income to ¥6,000 million. The dramatic rise in projected net income will be the result of anticipated extraordinary income associated with the proxy portion of the employee pension fund.

We ask for the continued support of our shareholders and investors.

Yuji Otsuka, President

March 2004