

**DNP**

# DNP Annual Report 2002

Year ended March 31, 2002



# Emergent Evolution

1 + 1 > 2:  
Celebrating diversity  
and multiplying  
value.

## Society undergoing emergent evolution

What is "emergent evolution," you say? It is a term widely used in the world of physics, biology, philosophy, sociology and information science. In all those fields, the common meaning of emergent evolution is "the appearance of entirely new properties greater than the sum of individual elements that constitute the whole, resulting from the repeated interaction between the individual elements and the unexpected properties of the whole generated by the interaction among individual elements." The two words sum up DNP's new corporate philosophy for a new era.

We have begun taking steps into the 21st century, an age in which people's values and tastes have further diversified through the amazing progress of information technology, such as the Internet, digital and next-generation media. We live in an information network society. Today, we can anticipate people with different values getting together, accepting their differences and stimulating each other to create entirely new values. Such a new society in turn will stimulate people to create even more values. The repetition of this process will cause society and people to evolve and develop, in short, causing emergent evolution. Simply put, emergent evolution is the creation of new values through mutual stimulation between people and people and people and society.

Emergent evolution is a positive concept with unknown potentials where 1 + 1 is greater than 2. The DNP of the 21st century aims to be a company in a state of emergent evolution. We believe that our society from now on requires the company to undergo emergent evolution in order for it to continue creating values for society. For a company to continue to undergo emergent evolution, the imagination of each individual in the company must be left to expand to the fullest, to bounce off of each other and to stimulate one another. For society to begin its emergent evolution, DNP can offer a diversified range of products, services and business models. By creating such a society ourselves, we can continue to keep growing as a unique company indispensable in the 21st century.

Fusion



# A tale of **two** technologies connecting the past and future



We have strengths like no other.

We have knowledge and technologies that no one else has. That, we believe, is where the key to all solutions lies. At DNP, we provide P&I Solutions, a fusion of printing technology and information technology. Our solutions create new values for society, born of knowledge, technologies and strengths like no other, proven to solve issues faced by varied industries.

Today, the economic trend and business structures are drastically changing. Businesses are caught in a cutthroat survival game in which they must respond promptly and precisely to the diversified needs of consumers with different tastes and values. For companies today, it is imperative that they focus their management resources in the field of their core competencies. At DNP, we have invaluable management resources not found in other companies: printing technology that has changed and enriched people's lives through our 125-year history of printing expansion, and information technology essential for contributing to the emergent evolution of the 21st century. We call them P&I Solutions.

The fusion of our printing technology and information technology has resulted in our information processing technology, which was realized about 30 years ago in the form of computer typesetting. Since then, DNP has accumulated a wealth of knowledge and experience through the digitization of numerous processes and application of the digitized processes. As information technology began changing the world at an accelerated pace in the 1980's, we experimented with new media and launched Internet businesses, developing our own businesses centered on printing technology. By using our technology and know-how cultivated through such experiences as our management resources, we are building our unique strengths. DNP is now evolving from an info-communications company to the P&I Solutions Provider, DNP. We will lead this age of rapid changes as we move forward armed with our unique knowledge and technologies.

Versatility



# Combining strength and flexibility for enduring expansion

A Company that creates values from diversity, instead of shunning changes.

In the past, the most pressing demand of the consumer world was for the manufacturer to provide the client with exactly what they wanted, and in large volumes. In such a time, we helped generate numerous new services as we earned a solid reputation for our superior quality and productivity. In today's changing times, however, we cannot survive as a company in a competitive market if we simply continue with our conventional ways of producing and selling our products. The responsibility society demands of us is to be a true partner for our clients in guiding them to success, and to further expand our fields of business.

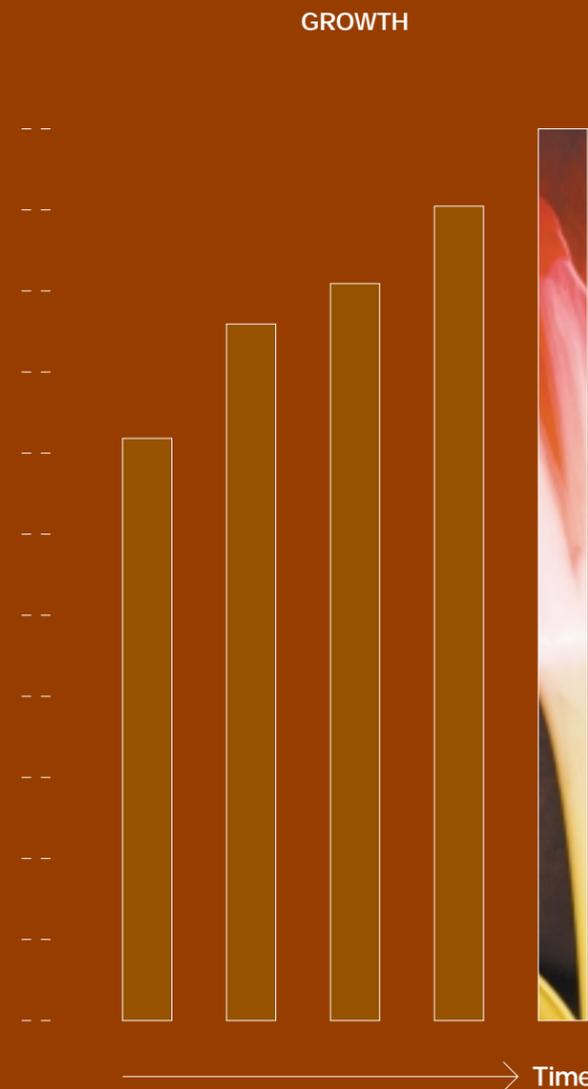
Until now, our business was mainly to provide products that meet the individual needs of our corporate clients. You could say that it was an activity to keep our production facilities busy. Likewise, our proposals of new business projects for our clients were for securing product orders. Today, however, as the market matures, competition has grown fierce with the pressure to provide the best quality, cost and delivery time. At the same time, the lifecycle of products has shortened so significantly that it has become increasingly difficult to generate profits simply by providing products. To be a winner in today's new business world, we will concentrate on our strengths and specialties and build strong partnerships with other companies to become a versatile company that promptly responds to changing times and to changes in the market place. As our client's essential partner, DNP plans to combine products and services in various forms to meet the detailed needs of our client and to provide the best possible solutions. For example, the flow of business at a company begins with a market survey and product planning, followed by procurement, manufacturing, delivery and sales, as well as customer support, payment collections and account settlement. Parts of the process for which we can provide efficient solutions using DNP's strengths can be outsourced to us in its entirety. What's profitable for our clients, we believe, is also profitable for DNP.



Imagine



# Possibilities that grow from knowledge and experience



## Beginning with the vivid imagination of the individual.

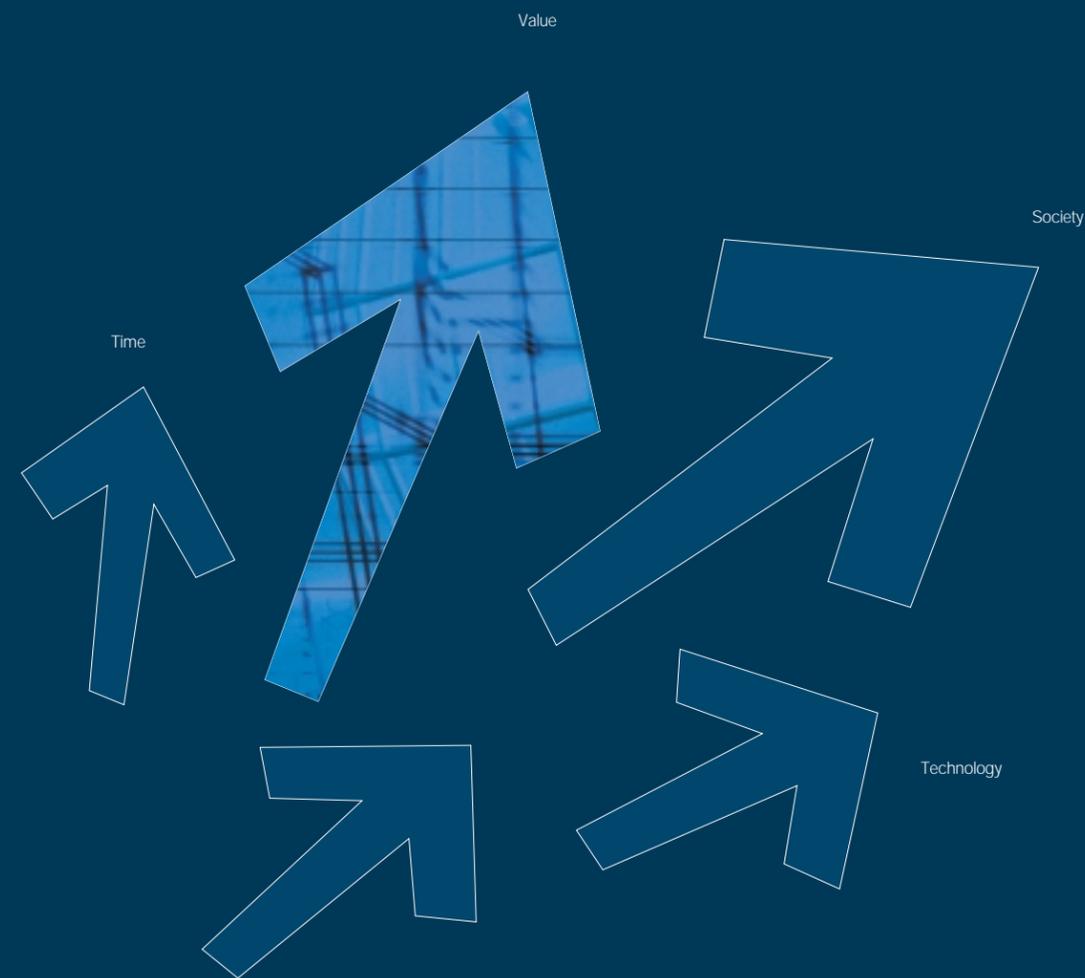
In the 21st century, businesses will expand faster and be more competitive by focusing their management resources on the areas of their expertise and by building an alliance with companies with their own strengths. Having strengths with which to attract potential allies can accelerate a company's business expansion. This is why it is all the more important today to produce original business models beyond the conventional business style. What we need is the vivid imagination of the individual to upset old conventions.

At DNP, we offer Business Design Solutions: solutions for consumers and corporate clients using a variety of new-value-creating business models designed and operated by DNP. To put together Business Design Solutions, we have the knowledge and technologies that have solved the issues of a wide range of clients. To promote the Solutions, we must not simply sell existing products but create new values with which we can secure our "unique sources of income."

Unique sources of income are entirely different from our conventional sources of income, which were through the sale of products. They are licensing fees, transaction revenues and other sources of income stemming from our creativity. With the smart card business for examples, until now, the conventional thinking was that to gain a competitive edge in this business, we had to work on our card-manufacturing ability and the card's physical functions such as durability and superior design. In today's way of thinking, however, it does not matter who manufactures the smart cards as long as we develop the smart cards' operation system and applications. Our advantage will be that we will have guaranteed income through royalties and licensing fees. In the future, this thinking can extend to websites through which application software for smart cards can be uploaded or downloaded. We intend to operate such support sites on the Internet and charge fees for services and transactions. As such, every one of us at DNP is encouraged to freely expand our imagination in our areas of expertise to transform ideas into a strategic business model, and to a specific operation model.



# Combining strength and flexibility for enduring expansion



Brave actions of the individual create values for the new society.

Where are Japanese businesses headed today? The severity of the Japanese economy is increasing with stagnant capital investment and consumer spending, decreasing corporate profits and an increasing unemployment rate. To secure our No. 1 place in the industry, we make sure we take aggressive actions while also calmly assessing the market. When the market demands goods and services, we provide them in a new form but at the right price. We aim to establish a new standard for a customer-first policy.

To develop and grow in a healthy manner in a society undergoing emergent evolution, each one of us at DNP will maintain a keen awareness of being a member of such an evolving society. To contribute to society, we will create values that clients and consumers truly seek. If the values we create are truly helpful to clients and consumers, they will contribute further to our corporate growth. That is why we put our efforts into getting an accurate and quick understanding of what the market wants. Only by watching and listening in the actual fields, can we begin to understand what that demand is. After understanding the market demand, we also stress the importance for each one of us at DNP to collaborate with a high awareness of being an independent, responsible professional. This is because respecting and accepting each other's ideas created in an open environment builds a strong bond and trust among the individuals.

When a society is undergoing emergent evolution, everything goes through rapid changes. Anything may happen. At DNP, we have the ability to plan, operate, manufacture, research and develop to handle any changes. It is an ability we have been cultivating throughout our long history. We are a company with unrelenting endurance that has beaten the odds, and has a persevering spirit that welcomes challenges. As a leading company in a state of emergent evolution, DNP will continue to create new, unconventional values as each one of us sets a goal and takes action with strong determination and responsibility.

**Shueisha, the predecessor of today's Dai Nippon Printing Co., Ltd. (DNP), was founded in 1876 as Japan's first full-scale printing company. Celebrating its 125th year of being in business last October, the Company got its start in publication printing but has since diversified its operations to include commercial printing, business forms, packaging, decorative materials, electronics and information media supplies. Today, the DNP Group of companies has approximately 35,000 employees and is the world's largest corporate group with comprehensive printing operations. In Japan, the DNP Group maintains 17 division offices, 52 sales offices and 33 plants in major cities, as well as 16 sales offices and eight plants overseas. Amid growing demand for information, the DNP Group, backed by its position of leadership in Japan's information industry, is continuing to expand its businesses by exploring new technological and marketing possibilities in the world of printing.**

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# Financial Highlights

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2002 and 2001

	Yen in millions except per share amounts		Dollars in thousands except per share amounts	% change
	2002	2001	2002	2002/2001
<b>FOR THE YEAR</b>				
Net sales	¥ 1,311,934	1,342,035	\$ 9,864,165	-2.2 %
Operating income	72,242	85,941	543,173	-15.9
Income before income taxes	26,150	69,116	196,617	-62.2
Net income	15,609	33,409	117,361	-53.3

## Per share data:

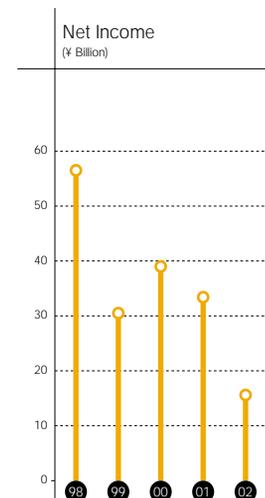
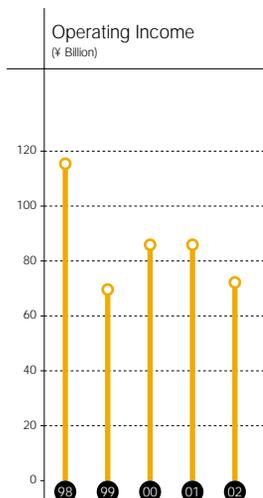
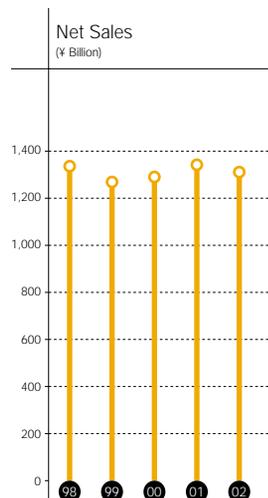
Net income				
Primary	¥ 20.55	¥ 43.99	\$ 0.15	-53.3 %
Fully diluted	20.53	43.45	0.15	-52.8
Cash dividends	18.00	18.00	0.14	0.0

## AT YEAR-END

Total stockholders' equity	¥ 946,998	¥ 939,441	\$ 7,120,286	0.8 %
Total assets	1,432,458	1,489,871	10,770,361	-3.9

Note:

U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥133=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2002.



# DNP's Printing Segment at a Glance

DNP's consolidated segments consist of Printing Segment and Beverage Segment. Printing Segment, which accounted for 94.4% of consolidated net sales this fiscal year, is further subdivided into three non-consolidated divisions: Information Media, Lifestyle Products, and Electronic Components and Information Media Supplies.

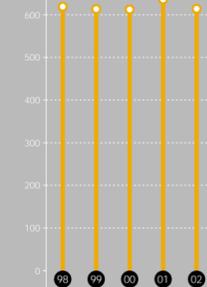
## Information Media Division

Sales of Business Forms were strong as financial institutions began issuing more smart cards, which led to substantial growth in smart card sales. Likewise, IPS products, such as personalized mail, saw double-digit growth as financial institutions, in a rush of mergers, sent out notices to their customers.

On the other hand, sales of books and publications decreased due to the harsh business environment in which the publishing market experienced negative growth for the fifth consecutive year. Since October, however, the drop in sales seems to have bottomed out as sales of magazines have slightly increased.

Commercial printing also declined in sales as the nation spent 0.9% less than the previous year on advertising.

Sales\*: **614.2 billion yen**  
Change\*: (-3.4%)



**Books and Magazines**  
Books, magazines, dictionaries, textbooks, graphic collections, commemorative books and other publications



**Commercial Printing**  
Catalogs, leaflets, pamphlets, posters, calendars, point-of-purchase (POP) goods, promotional publications for events and related services



**Business Forms**  
Continuous preprinted forms for PC output, transfer slips for parcel delivery and other companies, direct mail, stocks, bonds, gift certificates, bank notes, various kind of tickets, bank account passbooks, plastic cards, smart cards, hologram products and information processing services (IPS)

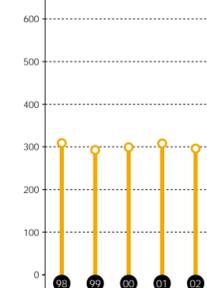


## Lifestyle Products Division

The result of DNP's efforts to develop and promote environmentally friendly packaging products was increased sales of refill containers for plastic containers and bottles. Soft packaging for food and snack products grew despite slow consumer spending and the effects of deflation. Overall sales, however, decreased from the previous year as sales of general paper and plastic containers declined.

Meanwhile, despite strong exports to the United States, sales of decorative materials also decreased overall due to a decline in housing starts in Japan.

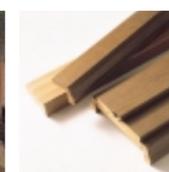
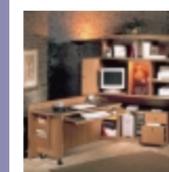
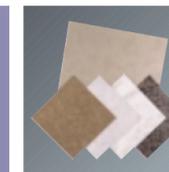
Sales\*: **296.1 billion yen**  
Change\*: (-3.8%)



**Packaging**  
Printed packages for confectioneries, foods, beverages, toiletries and pharmaceuticals, and functional films and materials for industrial use



**Decorative Materials**  
Functional films and interior and exterior decorative materials for homes, stores, offices, automobiles, electric appliances and furniture



## Electronic Components & Information Media Supplies Division

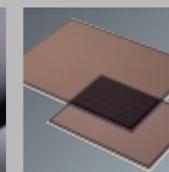
Sales of electronic components decreased overall due to a slump in the sales of personal computers and recession in the semiconductor industry putting a damper on the electronic component market. Sales of shadowmasks and lead frames decreased substantially. However, along with strong sales of photomasks and projection screens, sales of color filters also increased significantly due to DNP's newly established OEM system in Taiwan meeting the rapidly growing demands.

Information media supplies, such as lithium-ion rechargeable batteries, showed double-digit growth. Overall sales, however, decreased due to shrinking ink-ribbon sales caused by a declining demand for printers.

Sales\*: **211.5 billion yen**  
Change\*: (-3.3%)



**Electronic Components**  
Shadowmasks, color filters for LCDs, rear-projection television screens, plasma display panels, photomasks, lead frames and related products

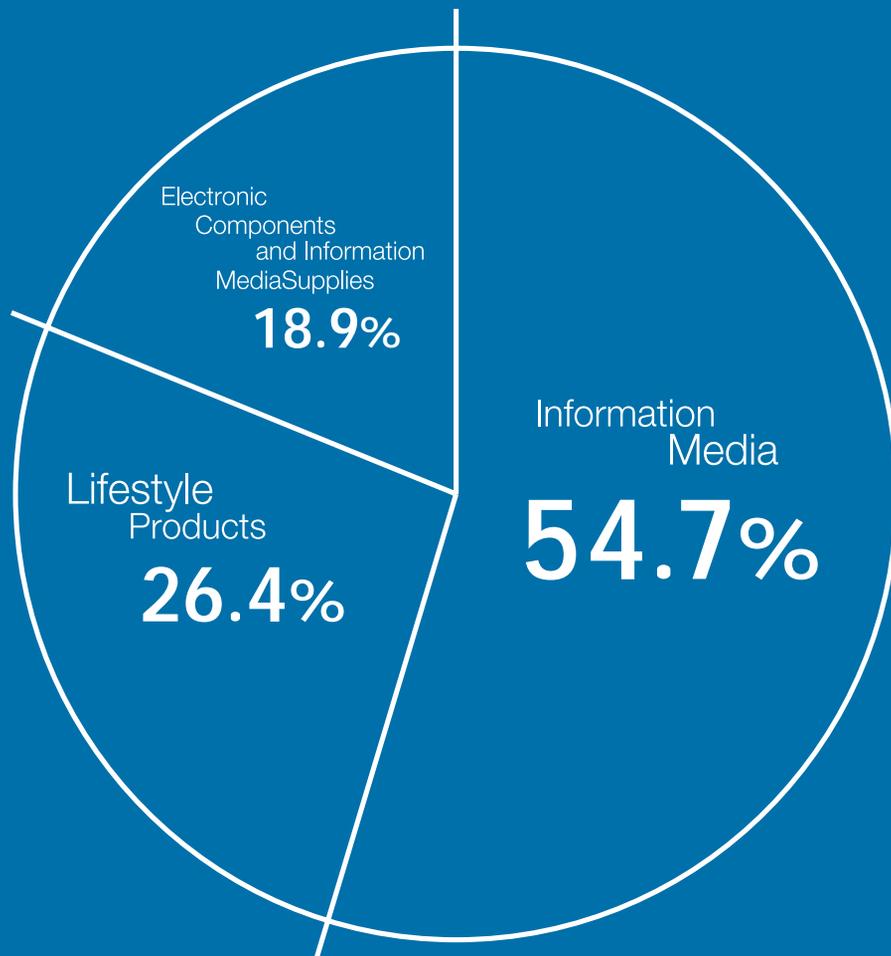


**Information Media Supplies**  
Sublimation transfer materials for color printers and ribbons for plain-paper facsimile machines, barcode printers and other products, and electrodes for lithium-ion rechargeable batteries



\*non-consolidated figures

## Sales by Division\*



\* Non-consolidated figures

# Hot Off the Press

Here is a look at some of DNP's products and services introduced in the media this year. From services that help bring classic works of art closer to people to products that revolutionize the way business is conducted, DNP's wide-ranging operations that spun out of printing continue to help enrich people's lives by also contributing to preserve the environment.



Became the first company to acquire certification for a smart ATM card application from the IC Cashcard Type Approval Council (ICTAC). (see page 38)



Announced the development of Ecofit Smart Card i-Type, a smart card produced with injection molding, realizing small-lot production, expedient deliveries, environmental friendliness and enhanced heat resistance. (see page 38)



The IC portion of the card, or UIM, can be removed and inserted into any FOMA terminal, so that the new terminal becomes available for immediate use by the subscriber. (see page 38)



Secure Image, a holographic label used to verify authenticity. The label applies Lippman holographic technology, in which production procedures and visual effects differ from the widely used embossed holograms. (see page 50)



Developed an information distribution system by applying contactless IC tags to mobile phones. Users, for example, can reserve trips and concert seats by holding up their mobile phones to displays. (see page 50)



Began a full-scale research on product packaging with IC tags extending to all sorts of product packaging. (see page 50)



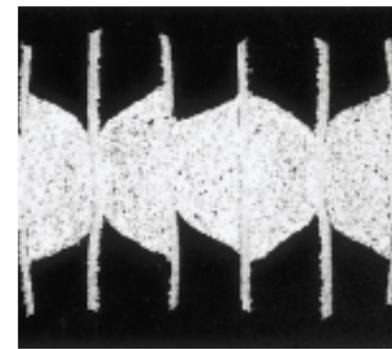
DNP announced that it will launch Dplats, a digital content distribution platform business. (see page 41)



Developed the low-cost Light Edition of the customer loyalty card management system for smaller businesses by selecting minimum requirement functions for CRM. (see page 44)



EX-Pad, a versatile platform designed to support many aspects of education, including general education, continuing education, vocational training and certification, and human resources training. (see page 44)



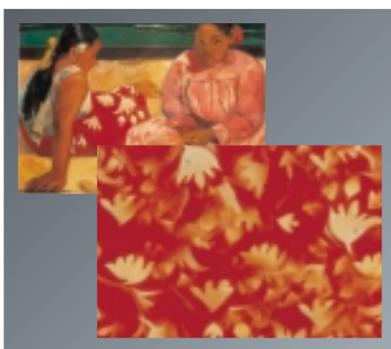
D.T. Circuit Technology, a joint venture between DNP and Toshiba, developed a collaborated multiplayer B'il (C-m-B) printed circuit board. (see page 52)



In California, DNP established a new production base for projection screens, which enjoy strong sales mainly in North America. (see page 55)



The new plant under construction will have the capacity to produce 65-inch plates, responding to growing demands for larger PTV screens, and the annual production capacity will reach 700,000 units for 42-inch plates. (see page 55)



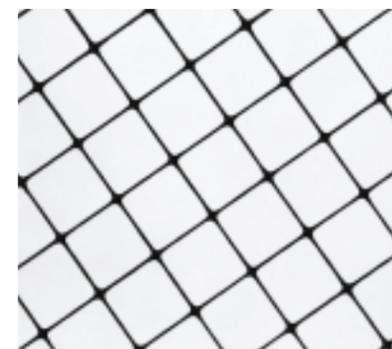
DNP launched a licensing business called Artist Touch, developing digital design by extracting portion of world-renowned paintings. (see page 46)



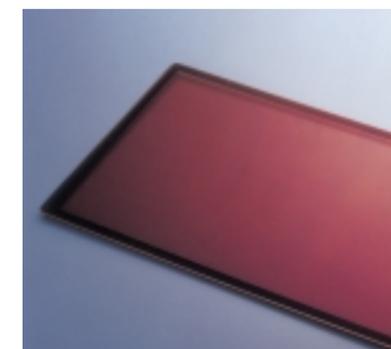
DNP Archives.com announced that it will add images of Chinese calligraphic works, paintings, artworks and excavations to DNP Archives.com. (see page 46)  
©Cultural Relics Data Center of China



DNP Archives.com launched TNM Image Archives that provides licensing and rental services of image data from the Tokyo National Museum. (see page 46)



Announced plans to begin selling an electromagnetic wave shielding film for plasma display panels (PDP). The film greatly enhances electromagnetic wave shielding capacity and light permeability. (see page 57)



DNP and Asahi Glass Co., Ltd. announced to establish a JV to produce and market back plates for plasma display panels (PDP). (see page 57)



Created an efficient, multi-color display, called organic EL displays, for low-priced, extremely thin mobile devices such as PDAs, electronic books and luminous POP/posters. (see page 57)

# Message to Our Shareholders

## DNP's Reform Concept: Emergent Evolution

Today, amid all the substantial changes sweeping over Japanese society, a new kind of evolution is taking place.

It is an evolution with a 21st century twist. The changes we are going through are the incredulous rapid advances in information technology, the serious drop in consumer spending, capital investment and corporate earnings. There are uncertainties lurking in the nation's financial system and in the employment situation. People are beginning to realize that Japan's economy has remained in a recession far longer than anyone can remember.

As the nation began to question the traditional, standardized ways of conducting business, people started exploring a diversity of values. The changes today are shaping up to be qualitative changes in response to new values embraced by people, and to new systems adopted by society. At DNP, we believe that our society is undergoing an "emergent evolution" in the 21st century.

Emergent evolution is a term used in natural science to mean "the appearance of entirely new properties greater than the sum of individual elements that constitute the whole, resulting from the repeated interaction between the individual elements and the unexpected properties of the whole generated by the interaction among individual elements."

To be fit to survive the drastically changing times, we see emergent evolution as the key words for our reform. Our aim is to evolve DNP into a solutions provider by integrating our printing technology and information technology. To do so, we have established our 21st Century Vision that involves building new business models.



**Yoshitoshi Kitajima**  
Chairman of the Board  
President and Chief Executive Officer

## 21st Century Vision – P&I Solutions DNP

P&I Solutions DNP. These are the words that capture our plan to increase DNP's long-term corporate value in the 21st century. It is a plan to use our time-tested strengths as we respond to the changing times, under the concept of emergent evolution. With "P" for printing technology, which is our core competency, and "I" for information technology, P&I Solutions represent DNP's determination to integrate the two technologies to provide new solutions that only DNP can offer. We plan to become a creative source of value.

During DNP's long history spanning 125 years, we have expanded our paper-printing operation into a multi-operation involving a variety of fields in which our printing technology is applied, including packaging and decorative materials that have become a part of people's lives and electronic products such as semiconductors and displays that require cutting-edge micro-processing technology. In recent years in which electronic networking has made rapid progress, we have aggressively expanded into new media such as the Internet, using our experience and expertise of having been one of the first to employ information technology in our operations. DNP has thus evolved into a printing company unlike any other in the world, having both printing and information technologies to significantly expand its field of printing operations and develop a variety of businesses.

Today, we intend to help our customers solve a wide range of issues by providing solutions that organically combine printing and information technologies. Our aim is to realize the concept of our 21st century vision: P&I Solutions DNP.

## Building New Business Models

Under the vision of DNP as a P&I Solutions provider, we will promote the building of two new business models.

One is our Production Solutions.

Companies that will come out winners in the new era are versatile companies that respond quickly to the changing times and market situations by focusing on their strengths and properties, while building a strong partnership with other companies. As our customers' essential partner, we will respond to the detailed needs of our customers by providing DNP's strong products and services in an array of combinations. By doing so, we will effectively solve our customer's goods production issues, and expand our sources of income.

The key is to be involved in our customer's goods production from the very first step of planning, and to aggressively work on product development to enable our customer to produce something it never could have before, without our support. Compared to our previous method of passively receiving orders, this method allows us to enjoy a higher profit

margin and royalty income. By further advancing our world-leading printing technology and its applied technologies, we plan to expand the range of our Production Solutions.

Our other business model is Business Design Solutions. We aim to solve issues faced by consumers and corporate clients by designing and operating a variety of business models that in themselves create new values. We must seize the opportunity while society is undergoing emergent evolution. By creating new business systems, our possibilities will increase. Instead of simply selling existing products, we will be able to explore the field for new needs for our services and products.

For example, until now, we insisted on using our technology at our company to provide products and services to our customers. With our business design solutions, however, we provide the business model itself. It means that we can now consider an entirely new sources of income for DNP such as license fees and transaction fees as we provide solutions that are convenient for customers and consumers.

Let us say that a publisher who has never engaged in the actual sales of goods decided to join the e-commerce market, or that a beverage manufacturer wanted to launch a sales campaign using a new method that utilizes mobile devices. DNP will provide solutions that bring customers success by designing a business model – especially information distribution system – that takes advantage of DNP's technology and expertise in media production, system structuring and security all of which have built a solid reputation over the years. By being a one-stop provider of back-end services such as system operations and fulfillment not handled by ordinary system integrators, we, as our customer's partner, support our customer in realizing a new business model.

In addition, even in the growing smart card business, we do not believe the manufacturing of the cards themselves is the core of the business. We plan to aggressively develop operation systems and applications, as well as customer-and-consumer-friendly services and systems, to increase our income from royalties and transaction fees.

## Results of this Fiscal Year

It is our aim to always increase corporate and shareholder values, establish a solid business foundation and secure a long-term, steady growth.

This fiscal year, however, we regret not being able to present you results that meet your expectations. In Japan, which is our primary market, the economy continued to remain sluggish, with capital investment by the private sector and consumer spending being weak lowering domestic demand. In addition, the slowdown of the U.S. economy and the effects of the terrorist attacks caused corporate earnings to significantly decline, deepening the Japanese economy's troubles. As a result, Japan's real GDP growth rate for the fiscal year ended March 2002 is estimated to be a negative growth of about 1.3%.

The business environment for the printing industry also remained harsh due to intense competition caused by a declining printing demand and dropping order unit prices.

In such a situation, we engaged in vigorous sales activities and proposed effective plans to help increase our customers' sales. The results, however, did not meet our expectations and we were forced to revise our projections downward at the end of the first half of this fiscal year. We also put company-wide efforts into cutting down costs, such as significantly reducing capital investment and cutting back on the number of staff, as well as formulating cost-cutting measures in our indirect operations and manufacturing operations.

Such efforts paid off in our operating income, which exceeded our revised target, although our final result showed decreases in both sales and net income. The cost-cutting measures we implemented in the second half of the fiscal year yielded results exceeding the initial target, and our electronics division made a rapid recovery.

As a result, our consolidated net sales this fiscal year decreased 2.2% from the previous year to 1,311,934 million yen, and our operating income decreased 15.9% from the previous year to 72,242 million yen.

## Measures Taken this Fiscal Year

In our Information Media field this fiscal year, armed with our strength in technology development and our large market share, we strived to increase orders for smart cards, whose demand is expected to grow significantly in the future.

In particular, DNP displayed its superior position in developing basic operation systems and application software, overwhelming competitors and becoming the world's only card manufacturer to own MULTOS and JAVA, two basic operation systems for multi-function smart cards. As a result, DNP gained a high reputation for its track record of developing application software.

For example, we became the first company in Japan to acquire certification from the IC Cashcard Type Approval Council for DNP's smart ATM cards, successfully winning a dominant share of the smart ATM card market. We also have secured double-digit sales growth in our information processing service (IPS) operations in which we process and output individual information as personalized mail, and by working to expand usage in the insurance and distribution industries, in addition to the communications industry.

In the fields of electronic networks, we developed and began providing services to convert information on paper-printed flyers into information that is distributed on the Internet. We also developed and provided services using Dplats, which provides functions such as controlling copyrights, charging fees, authentication and data editing related to the distribution of a variety of digital contents including music, video and entertainment.

Meanwhile, in our Lifestyle Product field, we worked to improve environmentally friendly products and product functions. Our priority is to provide products that win the admiration of consumers by being quick to grasp the needs of the public and utilizing DNP's superior technology and ability to develop products.

In the field of Decorative Materials, Pre Armor, the environmentally friendly decorative sheet that we developed using zero volatile organic compounds, received good reviews as a very effective solution for the "sick-house syndrome" seen in newly built condominiums in which tenants complain of eye irritation and headaches. In the field of Packaging Materials, we worked to develop filling systems founded on DNP's advanced sterilization technology. In addition to developing DynAsept, an aseptic filling system for pouches to fill soup and other liquids, we successfully expanded the sales of our aseptic filling system for PET bottles to several beverage manufacturers and Coca-Cola bottlers. Three filling lines are scheduled to be sold the next fiscal year.

On the other hand, in the field of Electronic Components and Information Media Supplies, demand rapidly dropped. To improve our performance, we retired a substantial amount of our property, plant and equipment related to shadowmasks and lead frames whose profitability deteriorated. In our attempt to increase our operation rate, we also secured a volume of the demand for shadowmasks for use in consumer TVs to offset the drop in the demand for shadowmasks for use in computer displays.

Meanwhile, sales of photomasks, color filters and projection screens saw a double-digit growth thanks to enhancement in all of their production capacities.

While the semiconductor market experienced a worldwide slump, DNP's advanced technology in photomasks prompted an increase in the number of orders for cutting-edge, high-value-added products. Especially in the first half of the fiscal year, we received a concentration of orders from overseas as our overseas competitors failed to keep up with our technology. As a result, DNP's photomask operations generated a sales increase of 10% from the previous year, further securing its No.1 share in the world.

As for color filters, we have licensed Taiwan's Sintek Corporation to supply us monthly with 500,000 OEM products, raising our supply capacity. This has increased our monthly production capacity to 1.8 million units, including the domestically produced 1.3 million units. Sales increased almost 50%.

In anticipation of the popularization of PDP (plasma display panels) in the near future, we joined forces with Asahi Glass to establish a joint venture called DAP Technology Co., Ltd. We plan to supply back plates to meet the market demand when it is a fully blown market, and are building a new plant slated to begin operating in the fall of 2002. Asahi Glass is a top manufacturer of glass products used in materials for PDP. We believe combining its expertise with DNP's manufacturing technology will greatly increase our competitiveness. Also

promising as the flat display of the future is the organic EL display, currently under development. It was DNP that applied its printing technology to establish a method to manufacture paper-like full-color organic EL displays. Sales of this display are expected to grow in the future.

We therefore have a promising item at every phase of the product's lifecycle. No matter what shape the future of displays, we will maintain our position as a company that can always supply the essential parts for the product.

## Establishing DNP Brands to Create "Only DNP" values

To continue creating new values in the 21st century and generate value for all DNP stakeholders, we believe that it is imperative to build business models to uncover new needs. To do so, we also must establish DNP brands – with DNP's technological strength, gained over many years, at the core – in preparation for meeting the diversified needs of society.

We firmly believe that for DNP, whose printing technology and information technology are strong at a world level, the new concept of a DNP as P&I Solutions provider is the most reasonable choice that can be made. No matter how difficult the business environment, we intend to put all our efforts into realizing this concept.

We are certain that the comprehensive strength already possessed by DNP is the most important starting point for reaching this goal. We will be fit to survive in this society of ours undergoing emergent evolution.



**Yoshitoshi Kitajima**

*Chairman of the Board  
President and Chief Executive Officer*

Publishing, Printing  
and Electronic Publishing  
Information Media

## A growing web of communications surpasses media

DNP's Information Media Division, which had previously focused primarily on printing materials, will relaunch itself as a division to provide tailored solutions for all information communication needs. By utilizing its varied content and information infrastructure, DNP will develop its existing information media business into a production solutions business that combines a number of media production methods and related services using DNP's information-processing or manufacturing function, information distribution function, and information communication consulting function. In addition, DNP will venture into a new field of business it calls business-design solutions. In this business, DNP will increase profits by taking advantage of its networking and information-security expertise to create business structures for customers involving information communications. In addition, by newly developing its own business model, DNP aims to secure new sources of income such as licensing and transaction fees.

**Smart Cards: Manufacturing cards is one of DNP's strengths. But we cannot call ourselves a smart-card vendor without developing operating systems, applications and systems to make the use of these cards even more convenient.**

In September, DNP announced the acquisition of Bull KK, the former Japanese subsidiary of the European-based computer company, Bull SA, and the establishment of NexantiS, a new company aiming to provide information technology solutions using security-related software and smart cards. DNP began developing smart cards in 1981 and has since supplied smart cards, as well as provided a variety of solutions using smart cards. With trends such as e-commerce and third-generation mobile phones, more and more smart card applications will require software using smart cards in relation to network security, or software embedded in smart cards. The goal of DNP in creating NexantiS is to have a software and services arm with strong connections to DNP smart card activities, and to provide integrated solutions for customers while broadening DNP's access to new markets.

### Developing applications and software for smart cards

In June, DNP announced the development of MULTOS Card Driver Software, which enables smart logon to enhance network security. The Windows-operated MULTOS Card Driver Software corresponds to the MULTOS multi-application smart cards,

providing encryption functions such as key management, digital signature creation, hashing and encoding/decoding. Applying encryption functions to the server-client architecture with security measures incorporated into Windows 2000 is hailed as a promising countermeasure against cyber terrorism. By inserting the smart card into a PC connected reader/writer, users can gain access to digital certificates and private keys via the smart card logon function, further strengthening Windows 2000 network security. DNP plans to expand sales and provide various smart card solutions to enterprises looking into employing PKI (public key infrastructure) solutions, for which demand is expected to increase due to Electronic Signature Laws.

From July through August, DNP, NTT Communications Corporation, Hitachi, Ltd., Fujitsu Limited and MULTOS Promotion Association conducted demonstration tests using a system they developed to download new applications via the Internet to already-issued smart cards. The experiment was conducted on smart cards that used the operating system, MULTOS. The newly developed system is unique in that the issuer of the smart card and the provider of the application need not be the same, allowing the separation of business, which facilitates the development of businesses using the smart card. In addition, using the Internet to add or delete applications from the smart card significantly increases convenience for users. The companies aim to develop their system as the world standard for downloading MULTOS applications.



Manufacturing cards is one of DNP's strengths. But we cannot call ourselves a smart-card vendor without developing operating systems, applications and systems to make the use of these cards even more convenient. Through our smart-card technology, we provide a lineup of features for credit, ATM and ID cards, as well as a help enhancement network and building security. And, of course, we did not forget to make these cards environmentally friendly.

In September, DNP announced the development of a smart ATM card application that complies with Japanese Bankers Association specifications, and in February 2002, became the first company to acquire certification from the IC Cashcard Type Approval Council (ICTAC). The application was adopted by Fuji Bank, Dai-ichi Kangyo Bank, Fujigin Credit and Dai-ichi Kangin Card who together are issuing the Mizuho IC Spark Card, Japan's first smart card that combines credit and ATM card functions. By employing MULTOS, the smart ATM card application can be configured to include just ATM features, a combination of ATM and online debit features, or a combination of ATM, online and offline debit features according to each financial institution's need. Other applications such as electronic ticket and point applications can also be downloaded via the Internet. DNP has also developed secure application module (SAM) cards for sale to financial institutions and ATM terminal manufacturers. Installed in smart-card compatible ATM terminals, SAM cards are used to authenticate smart cards and ATM terminals.

In October, DNP announced adding the world's first Java smart card supporting the Visa open platform to its smart card product lineup. Production of the card for Daiei OMC has already begun. The new Java smart card, approved by Visa International Service Association as part of its low-cost open platform card series, has an EEPROM capacity of 16KB suitable for credit-card-only use while DNP's original Java Card has an EEPROM capacity of 32KB for multiple applications. DNP projects sales of 10 billion yen from card production, application development, card issuance and other solutions in the next three years.

In March, DNP developed killer applets for popularization among smart cards, allowing lower-priced smart cards to utilize PKI. The PKI applet for MULTOS cards enables the program size to be about 0.8KB while the PKI applet for Java Cards enables the program size to be about 2KB. DNP also developed two PKI drivers (CSP driver and PKCS#11 driver) dedicated for use in combination with these PKI applets. PKI applets for smart cards are programs that are embedded in smart chips for MULTOS, Java and other cards. The PKI applets for smart cards developed by DNP were significantly reduced in size to meet the demand for embedding PKI in smart credit and ATM cards, which will be in full use in 2003 in Japan.

#### Manufacturing smart cards

In July, DNP announced the development of the Ecofit Smart Card i-Type, a smart card produced with injection molding, realizing small-lot production, expedient delivery,

environmental friendliness and enhanced heat resistance. While three or four vinyl chloride sheets are laminated and heat-pressed in producing a conventional smart card, followed by cutting dies, forming cavities and embedding chips, the newly developed card adopts an injection molding process in which melted resins are poured into a mold. The new production method does not require the heat-pressing process, which allows the use of non-vinyl chloride materials such as ABS resins, realizing enhanced heat resistance. Furthermore, small lot production and expedient time-to-market are made possible since the new smart cards are produced by simply printing the surface and embedding the chip on a prepared card substrate. DNP forecasts annual sales of 100 million yen in product sales, and 3 billion yen in the solutions business.

In September, DNP, together with NTT DoCoMo, announced the development of the FOMA Card, a universal identity module (UIM) that supports FOMA, NTT DoCoMo's third-generation mobile phone service. DNP is the only smart card vendor in Japan to provide the FOMA Card. The credit-card-sized smart card will be loaned to FOMA subscribers by NTT DoCoMo. The IC portion of the card, or UIM, can be removed and inserted into any FOMA terminal, so that the new terminal becomes available for immediate use by the subscriber, whose information such as telephone number is recorded in the smart chip. DNP will manufacture the FOMA cards and enter initial data on the cards at its smart-card production plant in Ibaraki, under heavy security control. The cards will be supplied to NTT DoCoMo. DNP aims to maintain over 60% of the domestic market share for smart cards by aggressively marketing smart cards for mobile phones.

In January 2002, DNP announced adding a function to process PKCS (public key cryptographic standard) #12 data at a smart-card issuing line at DNP's smart-card plant. By doing so, DNP has established a system for promptly issuing a large volume of smart cards with private keys and digital certificates imported in them for network authentication, which is effective against cyber terrorism. DNP has established this system in response to the growing market for employee ID smart cards equipped with network authentication, fueled by concerns about cyber terrorism and interest in information security management systems. Tens and thousands of smart cards for network authentication are expected to be issued by companies that provide lifeline utility services, and by government organizations. DNP expects sales of 1 billion yen in the next three years.

In March 2002, DNP, Microsoft Corporation and VeriSign Japan K.K. established a framework to issue, fast and in large

quantities, MULTOS smart cards that enable smart-card logon to networks built using Microsoft Windows 2000 and XP. In such networks, to enable the use of file servers and network printers, a user must input the user name, password and domain name using a keyboard. The new smart card, which DNP has enabled to be issued fast and in large quantities, allows the user to log on to a Microsoft Windows 2000 network based on a digital certificate, simply by inserting the smart card into a smart card reader/writer connected to the PC, and typing in the smart card's PIN. After logging on, if the smart card is taken out of the smart card reader/writer, the screen lock is activated. As such, security is enhanced for users and groups in the Active Directory. DNP projects sales of about 1 billion yen in the next three years from the manufacture and issuing process of smart card logon cards.

#### Smart card system development

In September, DNP announced the development of an on-demand smart card printing and issuing system. Allowing the printing of picture designs, photos and text onto the card surface, the system also integrates the network authentication technology of digital certificates and private keys, generated by the certificate authority. The structure of the new system consists of a card printer CX-710 and card-issuing software. A full-color printer, a DNP original, enables high quality printing on the entire card by dye-sublimation thermal transfer methods, and stores digital certificates and private keys within the smart chip using a built-in smart-card encoder. DNP plans to expand system sales and aims at 100 users in the next three years. Sales of 1 billion yen are forecast from cards and peripheral solutions.

In February 2002, DNP, Omron Corporation and Yamatake Building Systems Co., Ltd. announced the development of a physical access management system by integrating biometrics and contactless smart cards. The new system merges contactless smart cards and facial image technology to secure access to restricted areas by integrating the FaceKey facial recognition system developed by Omron with the entrance/exit management system developed by Yamatake Building Systems. DNP will provide contactless smart cards for the new system. Compared to traditional biometric systems, the new system is more efficient and flexible, encrypting and storing the user's biometric data onto a smart card. The system is planned for release by the end of 2002.

#### Network Businesses: Content and applications come together via a network to expand new business possibilities.

In May, DNP and Tokyu Sports Oasis Inc. began operating a lesson-reservation system using Internet-enabled mobile phones, a first in the fitness-club industry. A patent is pending for this business model. By registering in the lesson-reservation system, members of Tokyu Sports Oasis can use their mobile phone and a password to access information on lesson schedules at the fitness club, lesson reservations, changes in lesson instructors, and discount sales at the club's shops. Lesson schedules no longer need to be confined to paper; the latest schedule can be sent in real time to the member's mobile phone screen. For the fitness club management, being able to analyze the access log allows for the planning of more effective scheduling to better serve the members.

In July, DNP, along with NTT and Sharp, began joint research to create a market for services on an optical network, utilizing the ultra-high speed and broadband features of light. It is pioneering joint research for companies who are leaders in the field of content, network and terminals, respectively. At periodically held events, the companies demonstrated actual optical services and promoted building business models utilizing their latest technologies and content. The joint research includes the evaluation of image-quality conversion technologies and image-reproduction abilities by transmission speed, distributing DNP's high-definition images and videos via NTT's optical network onto Sharp's high-definition displays through Sharp's home optical link.

Also in July, DNP and DNP Digitalcom Ltd. developed the IR Homepage Creation System, an innovative web-based service to provide easy, secure distribution of investor relations information. JASDAQ Market Inc. selected the new system to re-develop its web site, <http://www.jasdaq.co.jp>. DNP Digitalcom and DNP are in charge of developing, structuring and operating such systems as stock price information and the charting of about 900 listed companies, formatting financial information by extracting company data from recent financial statements, and performing information searches by query items, such as sales and revenues.

Also in July, DNP developed a web-based 3-D computer graphic viewer by extending the functions of DRARE (DNP Realtime Advanced Rendering Engine), a three-dimensional, real-time, computer graphic rendering engine for multi-media titles. Integrating the viewer with a web browser enables the display of



DNP applies its information technologies to develop and provide solutions for customers. We listen to every detail of our customers' wishes, understand their concerns and produce products tailored to their needs. We know the most effective and efficient way to deliver our customers' messages to consumers. We have the means to find out consumer demand and market information, and know how best to utilize such information. We have the answers – because we understand the problems.

high-resolution, three-dimensional computer graphics via the Internet. Through this development, DNP expects an increase in orders for Internet-based multimedia titles utilizing 3-D computer graphics.

Also in July, DNP joined forces with Hiroshima Prefecture and TAO of Japan to conduct a high-definition image data transfer experiment on ultra high-speed networks. The collaboration was the first in Japan in which high-definition still images were publicly released over a nationwide, high-speed network. Digital artworks held by DNP, from France's Reunion des Musées Nationaux, were used in the experiment. The images were shown to the public in the underground lobby of the Hiroshima Prefectural Art Museum. Objectives of the research were to structure and examine client server network systems that can transfer and replay high-definition still image data over a network; examine the quality and interoperability of high-definition image data transfers over a high-speed network; examine the operation of the transfer history memory; and collect public responses/opinions and use the gathered information for future applications.

In August, DNP, Meiji Seika Kaisha Ltd. and Tomy Company Inc. joined forces with two companies to develop an "electronic giveaway" promotion system. The system allows users to play an Internet game by using the product ID numbers of purchased products. DNP developed and commercialized a system for the high-speed printing of ID numbers used in the game, and is in charge of overall system structuring and operations, including issuing ID numbers.

Also in August, DNP announced the development of a copyright protection system that securely distributes still images of art works, celebrities and characters. Use of a pictures without the creator's or copyright owner's permission is increasing as electronic image distribution becomes prevalent. DNP developed a copyright protection system by applying a technology that prevents the illegal use of digital contents. DNP will implement this copyright service to the back-end systems of DNP Internet services, Media Galaxy and the Internet Data Center. Characteristics of the new system include compliance to multiple security policies. Users also can choose and combine several copyright protection technologies, including digital image protection, off-line use restriction, reversible digital watermark embedding, and a digital watermark for copyright information.

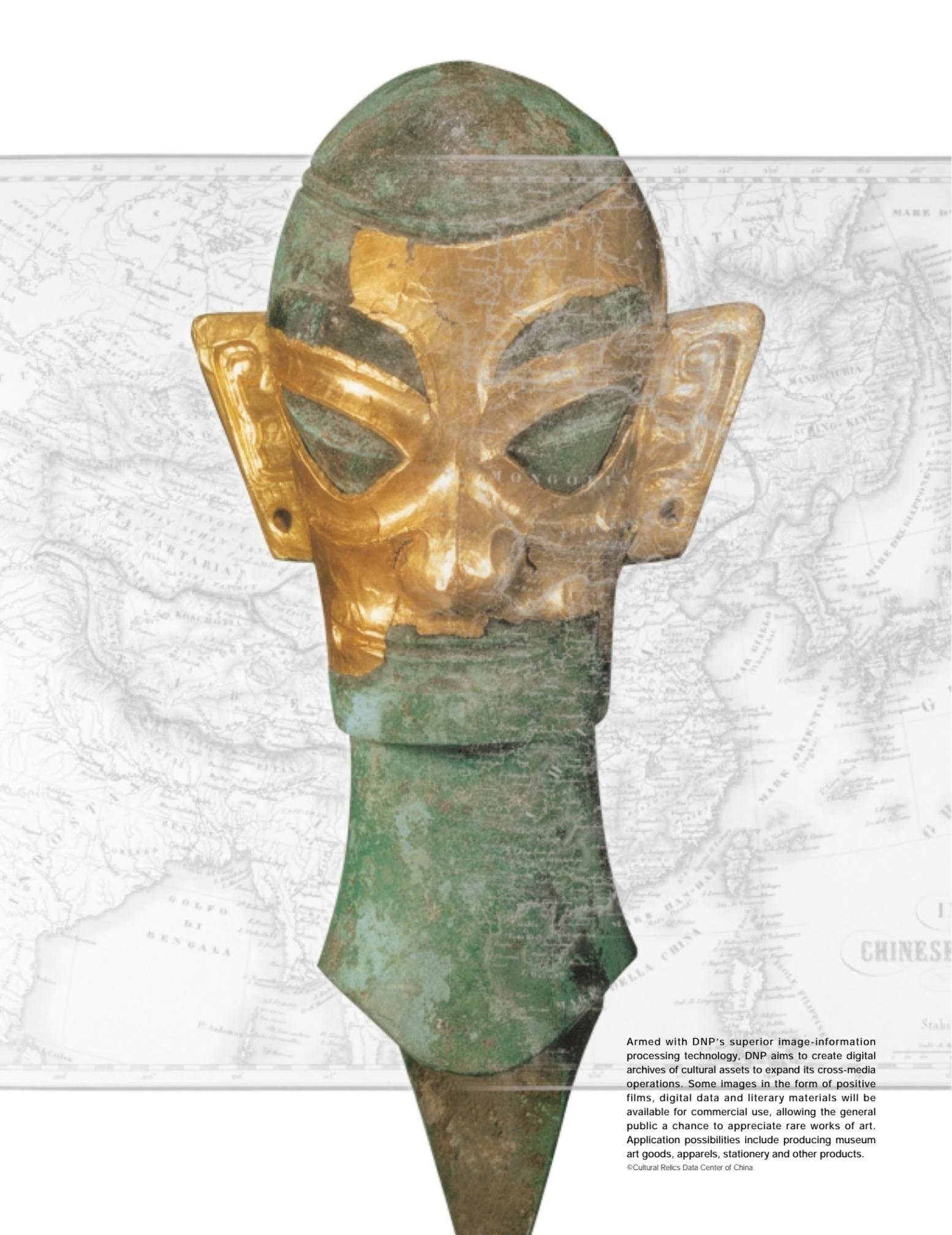
In September, DNP announced that it would launch Dplats, a digital content distribution platform business in early 2002. It is estimated that 10 million households, or one-third of all

Japanese households, will have access to broadband Internet services by 2005. With this widespread diffusion of broadband services, content distribution methods are becoming diverse, including PCs, mobile electronics and information electronics. While users demand secure, value-added contents for these various applications, content distributors face a number of challenges, such as processing technology acquisitions, developing channels for wider distribution, protecting content and managing capital expenditures for content distribution. Dplats will provide services such as content planning, application development, marketing, CRM and business model development, as well as content management, distribution, infrastructure, copyright protection, payment systems and data editing/processing.

In November, DNP and Visionaire Inc. announced the launch of study-aid production and operation services utilizing the Internet and DVD videos for after-school learning centers and correspondence-study businesses. The services include high-quality, high-volume visual and sound study aids with a web browser using DVDs that can be unlocked via the Internet by providing the proper ID, password and an additional fee payment. The program takes advantage of Visionaire's DVD-Magic technology, which can also use existing video and visual study aids to create DVD videos for use with the web browser. Students get the best of both worlds: interaction with instructors and updates via the Internet, and a high-quality visual-and-sound study aid on DVD.

Also in November, DNP developed an Internet-based "recommendation engine" that analyzes end-user product and information preferences, based on web usage data. DNP developed the recommendation engine as an effective and personalized one-on-one marketing tool. Functions include the automatic extraction of online articles or product description contents through keyword analysis; projection of user preferences; web usage data updated in real time; and selection and display of information and products that best suit user preferences. Unlike traditional engines, product recommendations are provided by multiple online shopping sites.

In December, MyPoint.com Japan Co. Ltd., a joint venture between DNP and MyPoints.com Inc., announced the launch of the MyPoints Global Network. The Internet advertising service is a collaboration with My Points.com Inc. and MyPoints Europe Ltd. of England. MyPoint.com Japan plans to expand the network to other European and Asian countries. The MyPoints Global Network will produce and distribute advertisements,



Armed with DNP's superior image-information processing technology, DNP aims to create digital archives of cultural assets to expand its cross-media operations. Some images in the form of positive films, digital data and literary materials will be available for commercial use, allowing the general public a chance to appreciate rare works of art. Application possibilities include producing museum art goods, apparels, stationery and other products.

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allowing Japanese companies without foreign sales sites to reach North American and English consumers and conduct e-commerce entirely by the Internet and e-mail. MyPoint.com Japan is an incentive marketing service company, and provides free services to its registered members. Members can earn reward points by clicking through banner advertisements, making Internet purchases, participating in online surveys and requesting information. Members can then exchange the acquired points for products provided by incentive partners.

In February 2002, DNP announced that it had extended its copyright protection system to support Content ID Forum specifications. The system will undergo independent-validation testing with the Digital Content Association of Japan. In line with the rising commercial value of digital contents and the growing need to securely manage and protect the distribution of digital contents, DNP developed the secure system by applying technologies that curb illegal content use. By combining technologies such as complete data copy protection, download restrictions and browse-only restrictions, copyright holders will be able to prevent the illegal use of digital contents. Initially, a full set of the content copyright information will need to be stored in an Intellectual Property Rights Database (IPR-DB). Content ID Forum is promoting global standardization by Content IDs. A unique Content ID is embedded into each digital content using digital watermarks, and users will be able to easily search propriety information through the IPR-DB.

**ASP/Solution Packages: DNP will apply its information technologies to develop and provide solution packages for customers.**

In April, DNP developed a sales promotion system that analyzes sales data according to individual stores, produces product sales forecasts for the upcoming week, and allows store managers to use such information to prepare and produce POP advertisements, leaflets, web screens and price cards. The system allows the distribution industry, including retail stores, to develop efficient sales promotion activities by utilizing a variety of media. Media content is produced based on the analysis of POS data and forecasts. The content allows each store to produce original leaflets or web promotions. Currently, the system is designed for electronic appliances and goods, but applications will be customized for the grocery and apparel industries. DNP forecasts sales of 5 billion yen for the initial year and 20 billion yen for 2003, including material printing orders.

Also in April, DNP announced the integration of the EC Credit

Settlement Service and the Inter Debit Settlement Service with DNP's OrderLine, an ASP service that supports e-commerce sites for processing and electronic settlement management. EC Credit Settlement Service is a unit of Japan Card Network Co., Ltd., a subsidiary of JCB, and Inter Debit Settlement Service is a unit of Payment First Corp., a subsidiary of Oki Electric Industry Co. Ltd. The newly added credit card settlement utilizes SSL (Secure Sockets Layer) encryption technology from EC Credit Settlement Service. While most conventional and basic SSL credit card settlement systems use the Internet to connect stores and settlement agencies, DNP has established exclusive lines with JCN's EC Credit Settlement Service and OrderLine to provide a safer and more stable credit card settlement at a low price.

In September, DNP announced that OrderLine will expand to include e-commerce credit-card settlement services for Internet-enabled mobile phones. With the increase in the number of websites designed specifically for mobile phones, the need is rising for a safe and reliable e-commerce system to manage orders and enable electronic payment to accommodate the sales of products. The added service will allow companies using DNP's hosting service, Mobile Galaxy, to offer credit-card payment options safely and securely over the Internet-enabled mobile phone, using 128-bit encryption SSL. DNP initially expects to have 10 e-commerce users and 50 million yen in sales.

In October, DNP announced the development of market survey packages for local banks and credit associations. DNP will provide integrated services for survey planning as well as research and analysis to tap into the liberalized financial sector where competition for financial services has intensified. Many of these financial institutes have deployed CRM (Customer Relationship Management) systems to manage customer information. However, CRM systems have been applied to unify sales channel management or credit analysis. Since the focus of analysis is based on transaction records of existing customers, it neglects to offer analyses of potential customer needs. There are only a few financial institutions that actually conduct these surveys. DNP's new packages provide survey plans and forms, based on the expected needs of each financial institution.

**Marketing Solutions: Building a CRM system is only half the job. Marketing strategies must include effective use of collected data.**

In August, DNP announced the development of Light Edition, a low-cost customer loyalty card management system that allows small- and medium-sized retail stores and chain stores to enjoy the benefits of customer relationship management (CRM). As larger companies in the distribution, food service and entertainment industries employed CRM to collect and analyze customer data and plan promotional activities, smaller businesses with 50,000 or fewer customers also expressed their need for a quickly deployable, low-cost CRM. As the provider of a full range of CRM services, DNP developed the low-cost Light Edition for such smaller businesses by selecting minimum requirement functions for CRM.

In September, DNP, jointly with NTT Data Corporation, Mitsubishi Corporation and Mitsui & Co., Ltd., established NTT Data Lifescape Marketing Corporation, a total marketing service company for the food industry. The new company began operating in October, engaging in the collection and sale of data obtained through 300 homemakers participating as monitors for Shoku Map, a former NTT Data company now part of NTT Data Lifescape Marketing Corporation. The company also uses the Shoku Map data to provide total marketing services. In five years, the market is projected to grow to 30-billion yen, of which NTT Data Lifescape Marketing Corporation aims to gain about a 5% share, or 1.6 billion yen in sales.

**Publishing, Printing and Electronic Publishing: Books may not always come in paper form. Our job is to convey intelligence and information using the most desirable medium.**

In September, DNP began licensing the digitized form of the Shueitai font, the beautiful font widely loved and used in books and dictionaries today, originally developed by DNP near the end of the Meiji Era. The font was digitized in the late 1960's as DNP began developing its computerized typesetting system. Today, publishers and commercial printers expressed their need for the Shueitai font to be available for use in a DTP environment. The first company to be licensed with this font is Morisawa & Company, Ltd., who plans to install the font in its DTP font packages for direct sales to companies and for sale in computer stores. DNP plans to expand its licensing business and projects sales of 100 million yen in the next three years.

In October, DNP, in collaboration with DNP Digitalcom

Co., Ltd., launched the DNP Custom Document Service, a business ASP service that produces original catalogues, leaflets and sales promotion plans. As consumer trends diversify, there is an increasing demand for fine-tuned document production and distribution services. The DNP Custom Document Service allows companies to easily produce original printed materials by sorting and processing necessary data stored in the DNP server in PDF format. DNP provides page collation and parts insertion functions, with enhanced PDF file production capacities. DNP also will provide an order service to produce a large number of printed materials based on the data. DNP forecasts sales of 500 million yen in the initial year.

Also in October, DNP announced the development of DIGI-DEMIA, a device that corresponds to CTP technology and greatly increases efficiency in color control in multicolor offset printing. Traditional offset lithography requires the final typeset to be transferred onto film before being chemically transferred to printing plates. With CTP technology, digital information is transferred directly onto printing plates using laser imaging. Due to its effect on color tones, multicolor offset printing adjusts ink amounts during the initial stage. With DIGI-DEMIA, by inserting a floppy disk containing the data into a printing press, ink amounts are automatically set improving color-control efficiency. DNP forecasts sales of 50 units of DIGI-DEMIA in the initial year.

In December, DNP announced a new system for tailoring university course registration handbooks for each student. With detailed information on annual course schedules, references and grading policies, these handbooks are important tools for both instructors and students. DNP can customize the university handbook for each student. DNP already provides customized products, such as travel brochures and correspondence course materials. By utilizing personalization knowledge, structuring university databases and providing web-based registration handbooks to nationwide universities, DNP was able to plan and produce the customized handbook system. DNP has already received orders for customized university handbooks from Meisei University for the 2002 school year. DNP will also provide a CD-ROM, containing information on all departments, allowing users to confirm course information.

In January 2002, DNP joined forces with Toshiba Corp. and Takara Co. Ltd. to establish Toshiba TD Education Co. Ltd., a company dedicated to the development and promotion of an innovative education platform supporting educational programs for all age groups and in many varied subjects. Toshiba, Takara and DNP have combined their diverse know-how to create the EX-Pad,

Books may not always come in paper form. Our job is to convey wisdom and information using the most desirable medium. Sometimes the information is put into print in books, magazines, catalogues and leaflets. Sometimes it resides in cyberspace, to be retrieved by those seeking information. Whatever the medium, our customers are sure to receive quality that speaks of our 125-year history.



a versatile platform designed to support many aspects of education, including general education, continuing education, vocational training and certification, and human resources training.

In March 2002, DNP became a representative in the establishment of Japan B2B Content Consortium, an electronic catalogue business planning consortium for electronic transactions between businesses. The consortium, consisting of DNP, SAP Japan, NTT Data, Compaq Computer, Sun Microsystems, Japan IBM, Japan Unisys and Fujitsu, will promote categorizing, and standardizing the data of, several million "indirect material products" such as tools, equipment, security materials and consumables used in plants, as well as measuring instruments, laboratory instruments and wares, and reagents used in research and development. There is a great need for MRO (maintenance repair operations) for plants and research centers. The consortium intends to be active at the most for about six months, and has visions of establishing a company soon afterwards.

Also in March 2002, DNP, in collaboration with Koubo-Guide sha CORP., built and began the operation of an unprecedented system that covers the entire process of producing a magazine from the information-gathering and editing process of the publisher to DNP's media production process, using an Internet-based network. The system was realized by combining the latest digital processing technology, database and PDF with DNP's long-standing technology of automated typesetting for magazines. Using this system, a magazine article can be laid out in its final form in a matter of minutes, or the whole magazine in about 30 minutes. Information magazines that have an established layout format such as job placement magazines, housing information magazines and used-car sales information magazines can greatly benefit from this system that allows up-to-the-minute information to be printed efficiently.

**Digital Processing and Data Archives: Armed with DNP's superior image-information processing technology, DNP aims to create digital archives of cultural assets to expand its cross-media operations.**

In September, DNP announced the development of digital designs by extracting portions of world-renowned paintings. DNP launched a licensing business for digital designs called Artist Touch, starting Oct. 1. Artist Touch seamlessly restructures the extracted sections by digital processing. Regardless of shape or size, the reproductions can be applied to a wide range of products, including stationery, garments, wallpaper, floor materials and interior fabrics. DNP will start by

providing about 50 patterns based on paintings by six Impressionists: Monet, Cezanne, Pissarro, Renoir, Gogh, and Gauguin. In addition to these 50 patterns, DNP will customize designs based on customer needs, utilizing more than 1,000 artworks by Impressionists. DNP plans to expand the product line by including Japanese paintings.

In January 2002, DNP Archives.com, a wholly owned subsidiary of DNP, announced that it will add images of Chinese calligraphic works, paintings, artworks and excavations to DNP Archives.com. The company will lend positive films, digital data, videos and reference materials of the Chinese antiquities. DNP Archives.com also will provide professional services for new photo production, software production support and production planning for related goods. Working closely with the Cultural Relics Publishing House, DNP Archives.com will lend about 300,000 items. DNP Archives.com holds photo rights to popular antiquities, such as the terra cotta soldiers, San Xing Dui and three-color-glaze Tang Ware. DNP Archives.com will lend about 1,700 digitally stored data held by the Digital Image Data & Publishing Center of Chinese Cultural Relics.

In March 2002, DNP Archives.com launched TNM Image Archives that provides licensing and rental services for image data from the Tokyo National Museum. The images in the form of positive films, digital data and literary materials will be available for commercial use for the first time, opening many possibilities for applications such as producing museum art goods, kimono and other apparel, stationery and other products. In addition, images can be used in TV programs and commercials as well as on web sites. Other usages include using the images in advertisements inside and outside trains and busses, and in magazines. DNP projects sales of 10 million yen from licensing sales, or sales of 100 million yen including related products.

Packaging, Environment  
Lifestyle Products

## Foresight and technology are key to survival in the market

Instead of aiming for a quantitative expansion by increasing the variety of existing products, DNP plans to expand its Lifestyle Products into high-growth markets. Using converting technology at the core of DNP's plan to expand on printing, DNP will demonstrate its superiority over the competition in the research and development of high-performance products with new-functions. DNP is building a system to provide solutions for production in existing fields and in new, promising fields. For example, in a field in which containers and labels were manufactured, DNP will widely expand its business by developing an aseptic filling system for PET bottles, introducing the system, supplying materials for the PET bottle, providing operational support and supplying the labels. DNP aims to increase profits by focusing on not only packaging and building materials but also the entire lifestyle and industrial materials market. The company will keep overseas customers and markets in mind as it expands its target, focus on profitable fields and make a substantial shift to growth fields.

### **Packaging: At DNP, we don't just manufacture packages. We provide systems that help our client's manufacturing business run with greater efficiency.**

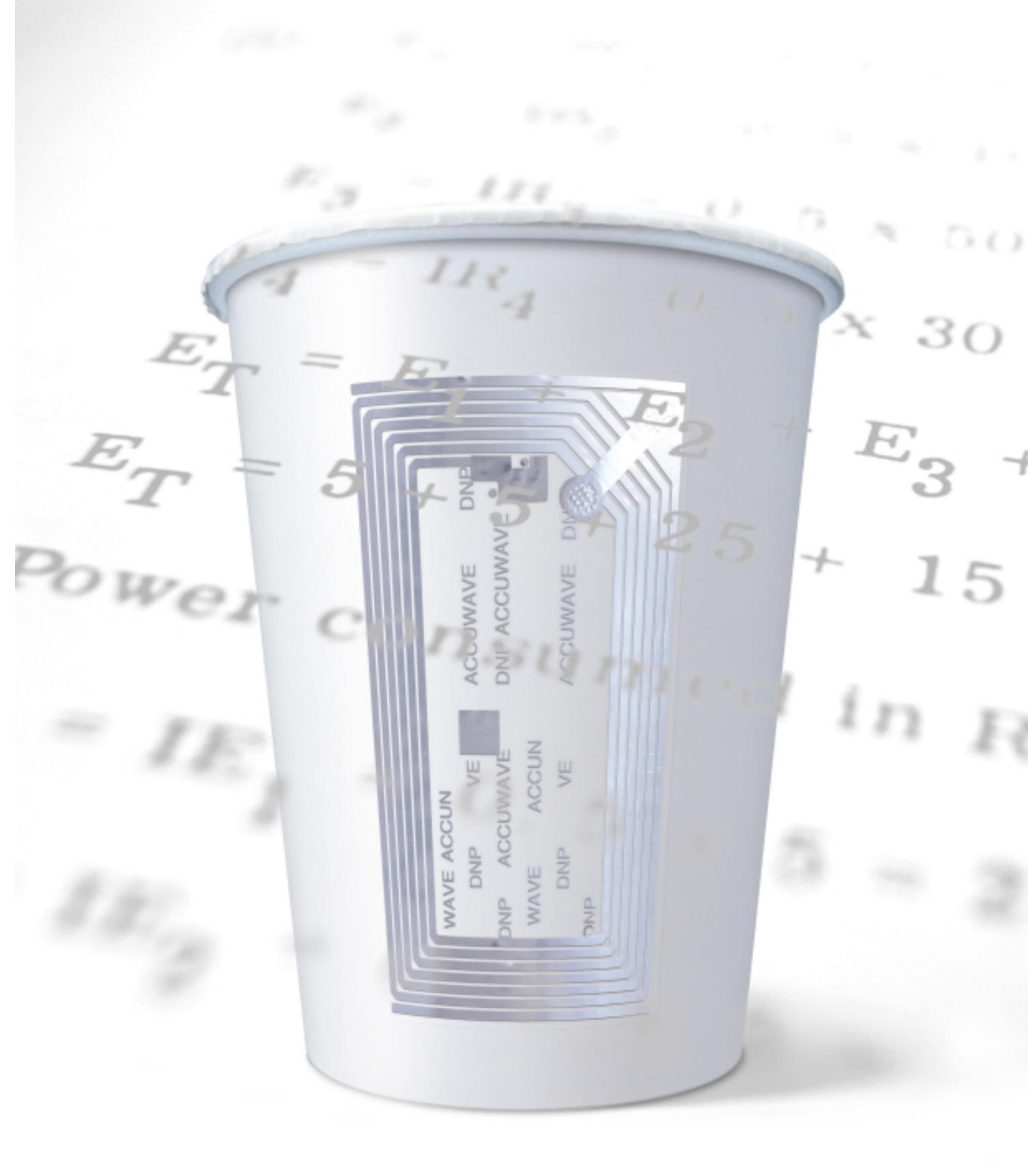
In September, DNP developed DynAsept, an aseptic liquid pouch packaging system. DNP's aseptic filling systems incorporate an aseptic chamber, in which sterilized foods are filled into clean packaging materials. Robust sales of prepared foods and box lunches in convenience stores, supermarkets and department stores have fueled demand for liquid pouches, used to house sauces and soups. With DynAsept, rolled film is sterilized and molded as a pouch in the aseptic chamber before pasteurized seasonings and soups are filled and sealed in a sterilized environment. DNP developed the more hygienic, efficient filling system in response to consumer tendencies toward foods that not only are tasty and convenient but also healthy and natural, as well as to company concerns on environmental effects, sanitation, expiration dates and product liabilities.

In October, DNP developed DN-ACP, an aseptic pouch packaging system for consumer foods. With DN-ACP, high-viscosity foods including sauces, stews and curry are pasteurized at ultra-high temperatures for a short length of time, and then are poured into clear packaging materials before sealing. Pasteurization at ultra-high temperatures for a short length of time realizes high product quality, without deteriorating

taste or losing nutritional value. One of the significant characteristics of the new system lies in the filling nozzle, which prevents contents from sticking and greatly improves system performance. DNP developed the world's first aseptic pouch packaging system for solid consumer foods. DNP forecasts sales of 500 million yen in the initial year by marketing DN-ACP to food, soup and seasoning producers.

### **Environmentally Friendly Products: Protecting the environment with environmentally friendly products also brings us new business opportunities.**

In May, DNP developed environmentally friendly decorative laminate sheeting for "healthy houses." The sheeting does not include any of the 12 volatile organic chemicals identified by authorities as causing "sick house syndrome," a phenomenon in which residents of new houses suffer from pungent gases and allergic contaminants that are in construction materials. Manufacturers of decorative laminates used in housing decoration and furniture have been trying to reduce the application of VOCs by substituting safer materials. DNP developed the environmentally friendly decorative laminate sheeting, Pre-armor, by utilizing the company's original coating technology. Pre-armor's hard surface is scratch resistant in processing and transporting overcoming an obstacle in



Ubiquitous computing for getting the information anytime and anywhere: DNP is researching and developing IC tags to complement existing product bar codes with their ability to be rewritten and to store high-volume information. We are looking to apply this technology to all sorts of product packaging, such as paper containers, soft-packaging, PET bottles and plastic containers.

traditional colored plywood. Its irregular pattern allows the uneven plywood surface to become inconspicuous improving design quality and flexibility.

In November, DNP developed a safe and environmentally friendly insulation material for flexible flat cables. The halogen/phosphorous-free insulation material was provided to cable makers in Japan and abroad. Flat cables are applied in various products, including office automation equipment (printers and scanners), computers, video equipment, audio systems, robots and ultrasonic diagnosis equipment. Flexible flat cables are composed of conductors laid in parallel, and laminated between insulation materials. Although conventional cables comply with safety standards, they can generate poisonous gases such as halogen if they catch fire causing phosphorous elution and equipment corrosion. DNP's new insulation material is a safe alternative. Annual sales of 1.5 billion yen is forecast in the next three years, and DNP plans to further expand its share of the electric cable component market.

#### **Hologram: DNP's holograms provide beautiful security.**

In May, DNP came out with All Image Gold Type, the first magnetic card in Japan with holograms that are processed onto the entire surface of a credit card. The unique translucency is eye-catching, and is not available with other cards. A highly durable, original protection layer was adopted to maintain high-quality designs for long periods of time. Transparent holograms help prevent credit-card counterfeiting. Hologram brands of international credit card companies can be processed onto the transparent hologram. DNP is the first company in Japan to develop this technology. The card has been adopted for Capriccio Gold MasterCard, which was launched in April and is targeted exclusively at women. Through sales expansion, DNP forecasts sales of approximately 500 million yen in the next three years.

In February 2002, DNP developed Secure Image, a holographic label used to verify authenticity. The label applies Lippman holographic technology, in which production procedures and visual effects differ from the widely used embossed holograms. The label also has anti-counterfeiting features. Today, many brand-name products, machine tools and electronic components are illegally copied and distributed throughout the world, resulting in enormous profit losses, damaging brand image and sometimes leading to product liability issues. DNP developed Secure Image to prevent the production and distribution of counterfeit products, and to prevent counterfeiting and tampering with ID cards. DNP will provide two types of Secure Image: a

transparent hologram and a hologram that includes a reflective layer to make holograms more visible. Overlapping the transparent type to a photo on an ID card that will prevent card counterfeiting and ID photo tampering.

#### **IC Tags: Ubiquitous computing for getting the information anytime.**

In September, DNP developed an information distribution system by applying contactless IC tags to mobile phones. Users, for example, can reserve trips and concert seats by holding up their mobile phones to displays. The new system will increase the effectiveness of advertisements by allowing consumers to apply for promotional campaigns and request information in real time. The procedure for using the system is as follows: 1) Users hold up their mobile phones close to an advertisement display; 2) An antenna reads information stored within strap-shaped, contactless IC tags; 3) The PC connected to the display sends registration information to a server; 4) The servers send confirmation e-mails to the users' mobile phones; and 5) To confirm the registration information, the user sends an e-mail. DNP plans to provide mobile solutions utilizing this new information distribution system to about 500 companies participating in MediaGalaxy, DNP's Internet service, and MobileGalaxy, DNP's mobile phone service.

In February 2002, DNP began full-scale research on product packaging with IC tags. The research extends to all sorts of product packaging, from paper containers and soft packaging to PET bottles and plastic containers, covering the development of IC tags, actual applications on product packaging, environment-proofing, data structure, data input and data management methods. As part of this effort, DNP became the first Japanese company to join the Auto-ID Center headquartered at the Massachusetts Institute of Technology in Cambridge, Massachusetts to research and develop an electronic product code (EPC). IC tags are part of the research, and will complement the existing product bar codes with their ability to be rewritten and to store high-volume information, which enables each individual product item to be tracked and managed.

electronic

# Electronic Components & Information Media Supplies

Display-Organic EL

## The source of exceptional competitive power and superiority

DNP's Information Electronics Division covers the overall electronics market from parts to devices, with its micro-processing technology at the core. The key to increasing profits in this field is the ability to continuously update the product lineup in response to the short lifecycle of products in this powerfully growing market. Backed by DNP's innovative R&D, DNP will aggressively introduce high-performance products with new functions in the field of semiconductor products to promote its production business. In particular, DNP aims to provide solutions for its high-density mounting business (such as build-up boards and multi-chip modules), its PDP display module/device business, and its organic EL display module/device business. To expedite business expansion and ensure superiority over the competition, DNP also will aggressively promote in-house research and development while building an alliance with companies who are leaders in their respective fields.

**Electronics/semiconductors: The difference is in our technology, sought after by semiconductor manufacturers of the world. Our business grows steadily, rarely affected by the economy.**

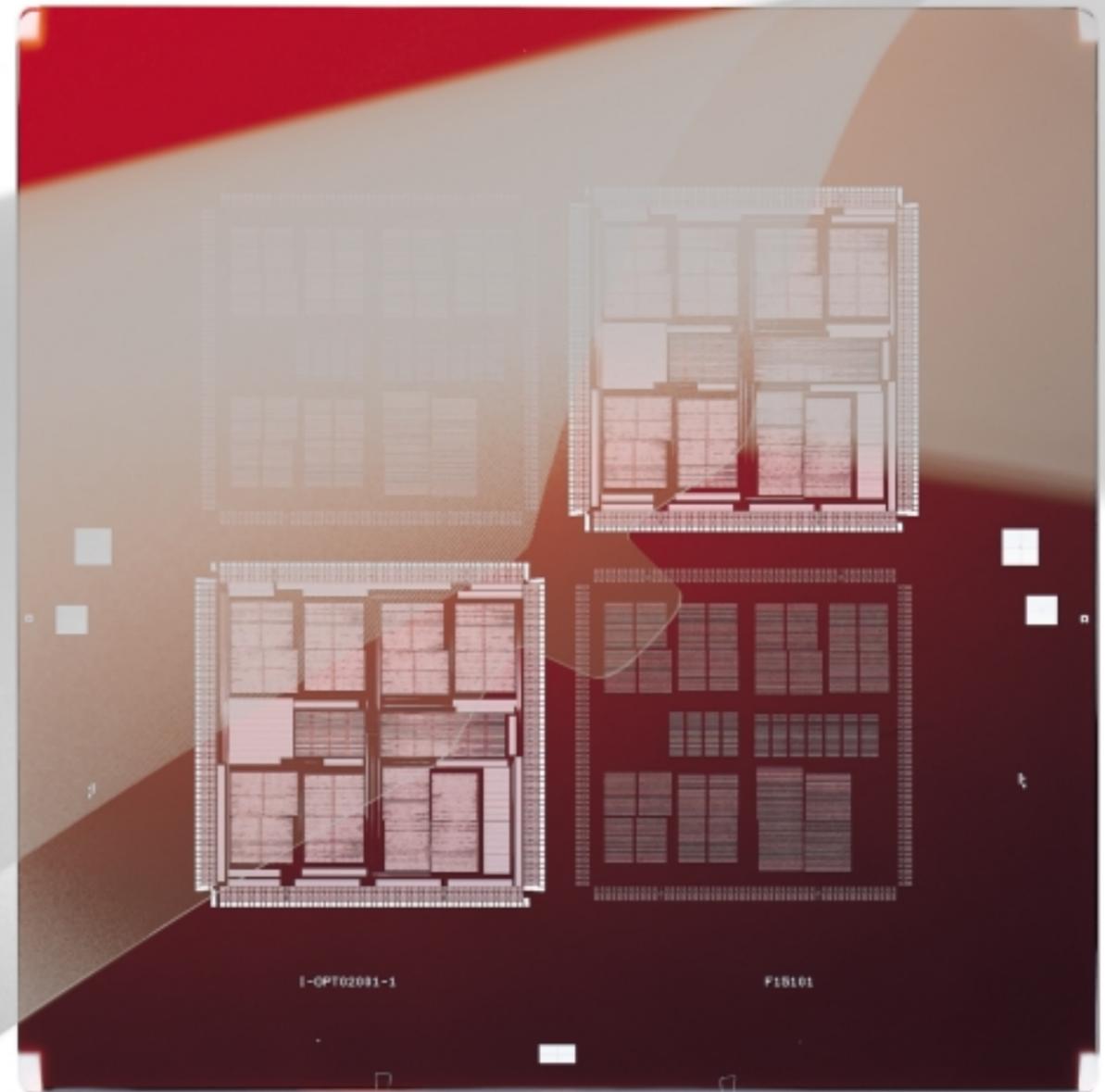
In July, DNP entered into a business agreement with Xilinx, Inc., the world's No.1 FPGA (Field Programmable Gate-Array) manufacturer, to provide Xilinx with a steady supply of photomasks for FPGA and to conduct joint research on photomasks that are 0.10-micrometer and smaller. Such photomasks are said to be of the fourth generation in semiconductor process technology with the current 0.18-micrometer photomasks quickly being replaced by 0.15- and 0.13-micrometer photomasks. The agreement will secure Xilinx a steady supply of cutting-edge photomasks while further expanding DNP's share in the photomask market. For DNP, the agreement is consistent with its efforts to build an alliance with the top manufacturers in the semiconductor industry, which have so far included alliances with Intel, Toshiba, Fujitsu and UMC.

In August, DNP announced its joining in the silicon wafer processing business. Research and development for micro-machines have grown in applications for medical devices, telecommunications equipment, industrial plants, automobiles, aerospace equipment and measuring/analytical instruments. By applying micro-fabrication technologies of semiconductors, the three-dimensional silicon micro-machines are used for nozzles, motors or gears of inkjet printers and acceleration sensors. DNP

is able to apply patterning, etching and plating technologies accumulated from lead frame and shadowmask production, in addition to technologies acquired from producing highly precise semiconductor photomasks. In conjunction with the launch of DNP's silicon micro-machine processing services, DNP will provide consulting and design evaluation services. DNP forecasts sales of 100 million yen in the first year and about 4 billion yen by 2003.

In November, DNP established a production line for on-chip color filters at its photomask production plant in Minami-ku, Kyoto. With the development of imaging devices, CCD (charge-coupled devices) and CMOS (complimentary metal-oxide semiconductor), image sensors have been applied to a wide range of equipment including PCs, mobile phones, mobile terminals and vehicle-mounted cameras. Since these image sensors are monochrome sensors, it is necessary to laminate color separation filters or microlenses to produce higher sensitivity on a wafer sensor for full-color display. Dramatic market expansion in this area is expected, as an increasing number of semiconductor makers are making inroads and demand for on-chip color filter processing is growing. The new production line uses technologies adopted by manufacturers of semiconductors. With a total investment of about 1 billion yen, production began in January 2002.

In January 2002, D.T. Circuit Technology, a joint venture between DNP and Toshiba, established a production line in



The difference is in our technology, sought after by semiconductor manufacturers of the world. Our business grows steadily, rarely affected by the economy. As the world's largest manufacturer of photomasks, which are a key component of semiconductor manufacturing, we continue to be on the lookout for future trends. Our wide-ranging technologies also enable us to produce silicon wafers, on-chip color filters, multi-layered printed circuit boards and other high-precision products for our discriminating clients.

Fuchu, Tokyo, and launched the production of B<sup>2</sup>it™ multi-layered printed circuit boards. DTCT was established in October 2001 as a joint venture between DNP and Toshiba Corp., and incorporates DNP's fine lithography technology and Toshiba's B<sup>2</sup>it technology to build a core business foundation in printed circuit boards and electronic modules. The new production line will become the focus of a B<sup>2</sup>it development consortium. The new line will produce build-up printed circuit boards with stacked via configurations of over 3-N-3; build-up printed circuit boards corresponding to CSP of 0.65mm /0.5mm pitch; build-up printed circuit boards with all B<sup>2</sup>it (all layers random via / stacked via) configuration; and B<sup>2</sup>it printed circuit board evaluation kits.

Also in January 2002, DTCT developed a collaborated multi-layer B<sup>2</sup>it (C-m-B) printed circuit board. The newly structured B<sup>2</sup>it printed circuit board merges DNP's ultra-fine pattern etching technology with Toshiba's B<sup>2</sup>it technology, while maintaining B<sup>2</sup>it's low cost and high design flexibility by interconnection and random via configuration. Bump etching allows C-m-B to realize miniaturization to 70 microns. C-m-B is a combination of Toshiba's bump-printing technology and DNP's bump-etching technology. C-m-B production begins with half-etching on one side of the copper substrate (a thickness of 100 to 150 microns), followed by bump printing. After press lamination, bump etching is processed on both sides to establish a stacked via configuration, which is then copper plated.

Also in January 2002, DNP, the world's largest photomask manufacturer, and Ericsson Technology Licensing, the leader in promoting Bluetooth™ wireless technology, signed a memorandum of understanding for the world's first Bluetooth chip design partnership. By providing DNP with its Bluetooth chip core circuit license, Ericsson Technology Licensing will be drastically saving time for DNP in designing circuits for semiconductor manufacturers and set manufacturers. Ericsson Technology Licensing will also develop an alliance with several LSI design houses to establish a network for providing system-on-chip design technology and to support OEM businesses. With the Ericsson Technology Licensing's Bluetooth core circuit license, DNP will enhance its LSI design services as part of its efforts to support clients in the rapidly growing wireless communications industry.

Also in January 2002, DNP agreed to become the first Japanese partner of SuperH Inc., a world leader in 32-bit and 64-bit embedded RISC microprocessor solutions. DNP began design work on the core of the new SuperHTM RISC microprocessor. The pact enabled DNP to expand into system-

on-chip designs based on SH-4 architecture, and to act as a worldwide licensing agent for SuperH's core products. In return, SuperH was able to expand its licensing business in Japan. The move will make DNP's design center increasingly influential in the rapidly growing market for digital consumer convergence solutions in fields ranging from automotive to home entertainment. DNP will be able to expand its design services both to systems used by companies wishing to use SuperH cores in embedded electronic devices and to semiconductor companies that intend to license SuperH, Inc. technology.

**Electronics/displays : The color filter may not always be the driving force it is in the display market. At DNP, we are prepared with a full lineup of third-generation displays.**

#### Color Filters

In July, DNP boosted its monthly production of color filters by establishing a Taiwan-based production system in collaboration with SinTek Photronic Corp., a Taiwanese maker of LCD color filters. The move made DNP the first Japanese company to produce, provide and service color filters in Taiwan. The collaboration doubled DNP's production capacity by 1 million units. DNP established a local production system by supporting a new SinTek production line, and provided production-process technology, know-how, management and quality control. The new plant adds an estimated monthly production capacity of 500,000 units to DNP's monthly Japanese production capacity of 1.3 million units, totaling 1.8 million units (calculated by 12-inch units). Taiwan is rapidly becoming a large production site for PCs and PC components.

In September, DNP boosted its production capacity for specialized color filters by 150 percent. The highly functional color filters integrate cell-gap control functions, and are a response to the rapid growth in the large, high-resolution, LCD market. DNP started to develop enhanced color filters with cell-gap control functions in 1990, and beat the competition by first selling them in 1999. These enhanced color filters, which account for about 35% of DNP's color filter production, place spacers on specific locations by applying photolithography technology, thus eliminating spacer beads dispersion problems caused by conventional spacer beads. Color filters produced with cell-gap control functions are essential for large LCD monitors used in desktop PCs and TVs.

In October, DNP developed a color filter that realized bright,

clear picture quality with LED back lights — a response to the growing demand for LCD TVs and monitors. The new filter achieves superior picture quality and is more environmentally friendly than traditional CCFL systems. Although higher clarity and color reproducibility is in demand, it has been difficult to improve both brightness and clarity with conventional CCFL (Cold Cathode Fluorescent Tube) back lights. DNP succeeded in developing the new color filter with high colorimetric purity by improving color filter pigments and optimizing the blending system by applying original pigment data and simulation technologies. The LED back-light system was developed to replace the CCFL system as an environmentally friendly, mercury-free system that realizes superior clarity, low power consumption, long life and simple color adjusting.

In December, DNP's monthly production of TFT-LCD color filters exceeded 2.2 million units, thanks to a deal with Taiwan-based SinTek Photronic Co. The deal called for setting up a production line in summer 2002. DNP has provided technological support for SinTek since May 2000, and in July of that year started receiving OEM product orders from Taiwanese manufacturers. The production capacity of the new line will reach 500,000 units, and total production capacity will approximately double to 900,000 units. Combined with DNP's monthly Japanese production capacity of 1.3 million units, total production capacity of the DNP Group will surpass 2.2 million units (calculated in 12-inch units). As SinTek is a core production site in Taiwan, DNP plans to increase shareholding to 10% and further strengthen its partnership, while corresponding to the changing needs of Taiwan manufacturers. Locally, DNP will increase production capacity, improve product quality and reduce costs to meet growing demand.

Also in October, DNP developed a low-cost, anti-reflection film for flat displays by applying precision wet coating. The film reduces reflections from external light sources, achieving high contrast and clear images. The anti-reflection film also can be processed to resist scratches and stains. The newly developed film has the anti-reflection properties of conventional films with dry coating, but slices costs in half. Anti-reflection processing has already been applied to high-quality TVs and CRT monitors. Accompanied by the diversification of flat display applications, including LCDs and plasma displays, there are increasing needs for displays with clear-image capacities. Although anti-reflection film is a promising component to meet these needs, conventional production methods (dry coating with deposition and sputtering) have proved unsatisfactory in terms of productivity

and costs. With this backdrop, DNP developed the new wet processed anti-reflection film by fully utilizing its accumulated precision coating and material designing technologies.

#### Projection Screens

In August, DNP announced the development of a high-resolution screen for rear-projection televisions that improves contrast by 20%. DNP started mass production of 40- to 72-inch screens at the Mihara plant in Hiroshima Prefecture in January 2002, and plans to target the screens to projection television manufacturers that comply with digital broadcasting. The aim is to serve the exploding DVD market. Currently, DNP commands more than a 50% market share in projection screens, which consist of fresnel and lenticular lenses. The new screen was developed for CRT projection TVs, which accounted for more than 98 % of the worldwide projection TV market (approximately 2.5 million units) in 2001. The results of an enhanced lens design are improved color uniformity, clarity and purity in brightly lit rooms. DNP forecasts sales of 1 billion yen in the initial year by promoting sales in North America, Europe, Japan, China and Korea.

In November, DNP established a U.S. subsidiary, DNP Electronics America LLC, to make screens for rear-projection televisions. The subsidiary, located in Chula Vista, Calif., produces Fresnel screens. Annual capacity is expected to reach about 500,000 units, boosting DNP's total production capacity of rear-projection television screens to more than 3 million units. So far, approximately 2 billion yen has been invested, with further investments expected to increase along with market expansion. The worldwide demand for rear-projection televisions has grown from 1.9 million units in 1999, to 2.5 million in 2000 and 3 million in 2001. The figure is expected to reach 5 million units in 2005. The U.S. market shows increasing demand, and double-digit annual growth is forecast, as digitization and large-screen displays become commonplace.

In March 2002, DNP developed a technology to mass-produce high-resolution, ultra-large screens for rear-projection TVs. These ultra-contrast screens can be extremely large – between 70 inches and 200 inches – due to the increased accuracy and strength in adhering the ends of the panels that make up a single screen. DNP will enhance sales of these screens for use in computer-aided designing and education, as well as for replacing surveillance multi-screens. In addition, because DNP's new high-resolution, ultra-large screens are significantly stronger, they can be shipped overseas, which, until



DNP not only is boosting its production capacity of color filters, but continues to develop better quality, more environmentally friendly color filters to meet increasingly diversifying demand for displays used in PCs, TVs and mobile phones. We are also prepared with a full lineup of third-generation displays, including digital paper.

now, was not possible. DNP expects a sales increase of about 1 billion yen through aggressive sales in the Asian market, including China, where demand for large, high-resolution screens is on the rise.

#### Plasma Display Panels (PDP)

In April, DNP announced plans to begin selling an electromagnetic wave shielding film for plasma display panels (PDP). The film greatly enhances electromagnetic wave shielding capacity and light permeability. Because PDP use is expected to grow along with the expansion of the large household TV market, there is an increasing need to contain the electromagnetic waves transmitted by the displays. Effective methods of containing electromagnetic waves include integrating a circuit in the panel to suppress wave occurrence and placing an opaque metal membrane layer on the display surface. With the metal membrane layer method, it is important not to degrade the PDP picture quality while securing a sufficient electromagnetic shielding capacity. Conventionally, manufacturers strived to produce extremely thin, semi-transparent layers or very fine mesh layers. DNP was able to take advantage of its strength in highly detailed processing technology to create a thin, mesh copper film layer over clear film, which improves light permeability by 30% over other types of film while still retaining a superior electromagnetic wave shielding capacity. The film also cuts down on mass-production costs. DNP targets sales of 5 billion yen in 2003.

Also in April, DNP announced with Asahi Glass to establish a joint-venture company for manufacturing and marketing back plates used in plasma display panels (PDP). A vital component, the PDP back plate consists of electrodes, barrier ribs and phosphors that are arranged on a transparent glass substrate. The joint venture is aimed at tapping into the growing market for flat panel displays ---a market expected to grow rapidly for such products as TVs, and for commercial applications in airports and stores. Thought of as the most promising flat panel display, PDP will help support the coming digital network age. Worldwide PDP production is projected to expand from 900,000 units in 2001 to 4 million in 2005. For the past 20 years, DNP has accumulated technologies and patents in back plate production, and has supplied PDP manufacturers with sample products and parts. For the joint venture, construction of a new plant for the production of PDP back plates in the Asahi Glass Kitakyushu complex is scheduled to be completed in June 2002. The two-story, steel-frame facility will total about 14,000

square meters with 26,000 square meters of total floor space. The plant will have the capacity to produce 65-inch plates, responding to growing demands for larger screens, and annual production capacity will reach 700,000 units for 42-inch plates. Total investment will reach approximately 10 billion yen. The plant is expected to be running by October 2002, with sales of 15 billion yen forecast in 2003.

#### Organic EL

In April, DNP announced the development of a lightweight, thin and flexible electroluminescent (EL) display for electronic products. Currently, thinner and lighter luminous displays are the focus of attention, and DNP has succeeded in developing an efficient manufacturing technology for multi-color luminous layers by applying barrier film packaging technology. DNP has created a more efficient, multi-color display for low-priced, extremely thin mobile devices such as PDAs, electronic books and luminous POP/posters. So-called organic EL displays have been the focus of DNP's research since 1998, and the research was eventually applied to a project called "Research Development Program for University-Industry Alliances --- A Matching Funds Approach," in 2000. Since then, DNP has conducted R&D funded by the New Energy and Industrial Technology Development Organization (NEDO). The new technology has marked a strong advance in displays that have multi-color, luminous layers.

In October, DNP announced plans to develop with Idemitsu Kosan Co. color-conversion boards for full-color, organic electroluminescence displays. Idemitsu was the world's first company to develop a full-color EL display prototype in 1997 by transforming blue emissions into green and red. The two companies will establish a test production line within DNP's Research and Development Center in Kashiwa, Chiba, and provide sample products. Full-scale production is expected to start in 2003. More companies are developing organic EL displays for such products as mobile devices including cell phones, PDAs and vehicle-mounted units. DNP, with many achievements in LCD color filter plate production, and Idemitsu, with years of experience in developing color conversion materials, decided on the collaboration to improve materials and develop new processing technologies for display applications.

# Board of Directors

(As of July 1, 2002)



Kosaku Mori Managing Director	Osamu Tsuchida Managing Director	Kuniaki Kamei Managing Director	Teruomi Yoshino Managing Director	Noriaki Nakamura Managing Director	Hiromitsu Ikeda Managing Director
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Minoru Suzuki Senior Managing Director	Masakazu Sato Managing Director	Mitsuhiro Hakii Managing Director	Satoshi Saruwatari Senior Managing Director	Masayoshi Yamada Senior Managing Director
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Taira Takahashi Senior Managing Director	Ryozo Kitami Senior Managing Director	Yoshitoshi Kitajima Chairman of the Board President and Chief Executive Officer	Kenichi Nakamura Senior Managing Director	Koichi Takanami Senior Managing Director
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## Directors

Hironori Kato	Chugen Kakuno
Kenzo Isumi	Yukio Togano
Toshio Kawada	Junjiro Inoue
Makoto Isshiki	Kazumasa Hiroki
Hidenori Nokubo	Yujiro Kuroda
Tadashi Okubo	Tatsuya Nishimura
Yoshiyuki Nakagawa	Yoshinari Kitajima

Itsuo Totsuka
Masahiko Wada
Tetsuji Morino
Takashi Toida
Tadao Tsukada

## Standing Statutory Auditors

Jitsuo Okauchi
Minoru Yoneda
Shizen Sasaki

## Statutory Auditor

Akira Fujishima
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# Financial Section

# Management's Discussion and Analysis

Unless otherwise noted, all financial information contained in this section is based on the consolidated financial statements of Dai Nippon Printing Co., Ltd. ("DNP") included in this annual report. The consolidated financial statements were prepared in accordance with generally accepted accounting principles in Japan.

## INTRODUCTION

DNP is a comprehensive provider of solutions that use printing and information technologies. We offer products and services in a wide range of areas including printing, information media, industrial materials and electronic components. With them, we serve customers far and wide, from Japan to the rest of the world. Currently, we are the world's number one comprehensive printing company in terms of sales.

The following are DNP's three main fields of business:

### Information Media:

In this field, we provide services in printing, digital media and content production, or in combinations of the three. No matter what the medium, we offer the most effective and efficient solution for our clients to deliver information to their customers.

### Lifestyle Products

DNP has the talent to develop superior technologies. In this field, we apply that talent to make and sell decorative materials and lifestyle products that are environmentally friendly. This is another field where DNP has gained acclaim for helping to enrich people's lifestyles today and into the future.

### Electronic Components and Information Media Supplies

DNP applies the world's most advanced micro-fabrication technology to make and sell a variety of electronic products, including photomasks, which are a key component in semiconductor manufacturing, and color filters for liquid-crystal displays. Other products we manufacture include ink ribbons for facsimile and electrodes for lithium-ion rechargeable batteries. Many of our products enjoy a top market share in the world.

In this Management's Discussion and Analysis section, "DNP" refers to our entire Group consisting of Dai Nippon Printing Co., Ltd., 60 consolidated subsidiaries and 10 affiliated companies included in this annual report. "We," "us" and "our" refer to DNP or the DNP management.

Words used in this annual report such as "believe," "anticipates," "estimates," "expects" and variations of these words or similar expressions, as well as all numbers for future earnings, are forward-looking statements that make use of all information available to the management at the time of the creation of this annual report and management's best judgment. The statements are not historical facts. Our actual earnings in the future may differ greatly from these estimates and forecasts due to uncertainties in the environment and various risks that are mentioned later in this annual report.

These forward-looking statements were deemed reasonable by the management at the time of the creation of this report; sufficient caution must be exercised in making investment decisions on the basis of these statements. In addition, we have no responsibility to update information relating to these forward-looking statements in the future with the newest information or to publicly announce revisions.

### Our Commitment

The goal of the management is to guide DNP into a long-term growth and steadily increase cash flow to raise DNP's corporate and shareholder values.

This goal cannot be met without creating new customer values so that we can constantly generate values for our society and all DNP stakeholders. Above all, we believe that the goal can be achieved by developing outstanding technology that is useful to society, providing original products and services, and aiming to contribute to social prosperity and the happiness of all people with whom we are involved.

However, for DNP to experience another growth spurt in the dramatically changing world of the 21st century, we also need new business strategies fit for the times. We need to make a company-wide resolution to embrace diversity and use different values to help us grow. This is why we, the DNP management, believe in the fusion of the two technologies that we have cultivated and lead the world in – printing and information. We will develop technologies that others can only dream of, and provide our customers with a wide array of solutions.

### Our Principle on Corporate Governance

In implementing our business strategies, we believe it is of utmost importance to properly disclose information related to providing our shareholders with steady profit returns, as well as information on our business activities. At the same time, we will see to it that our employees are secure in their employment and that their livelihood is stable.

As we look at corporate relationships with customers and the public today, there have been numerous corporate scandals that have rocked public confidence not only in Japan but also in other parts of the world. At DNP, we formulated the DNP Group Action Charter in 1992 to realize fair corporate activities. In the Charter, we declare that we will act in full compliance with legal and ethical standards and also strive to maintain free and fair competition with fair and open activities. Our aim is to create a company that is trusted by the public as a good corporate citizen.

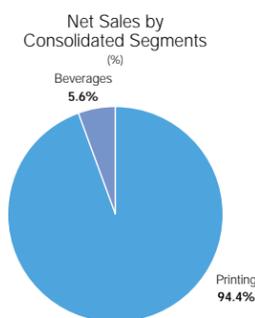
To fulfill our corporate roles and responsibilities, we, the management, take the spirit of our Action Charter to heart at our board meetings where we consistently make a sincere effort as responsible directors to eliminate and prevent any unfair practices in executing our business. In addition, to enhance our management supervisory functions, we have elected two out of the four auditors from outside the company. We will further elect a director from outside the company in the next fiscal year as part of our efforts to improve our corporate governance.

## RESULTS OF OPERATIONS

### Business Environment

The Japanese economy this fiscal year remained in an extremely harsh situation. Reduced capital investment and sluggish consumer spending have resulted in a decline in domestic demand. Added to that were the U.S. economy slowdown and the September 11 terrorist attacks which significantly affected corporate earnings.

The business environment of our core operation, printing, also remained difficult due to a declining demand for printing and dropping unit prices caused by fierce competition among companies.



### Overview

As we mark our 125 years of being in business today, we find ourselves in an unusually difficult business environment. To address the very real possibility of a global environmental change in the future, the DNP management has formulated the DNP Group's 21st Century Vision.

This fiscal year, we created two types of solutions based on the DNP Group's 21st Century Vision: Production Solutions and a Business Design Solutions. Applying the two solutions, we began to reform our business structure to provide our customers with new values and profits, and continued to strongly reexamine existing operations and reform cost structures.

To bounce back from our unfavorable first half results, we implemented measures to reduce our costs, such as a major cutback in capital investment and a reduction of labor costs and other expenses.

In handling capital investments, we conducted an overall reexamination of the investments of our entire Group from the perspective of utilizing existing facilities and distributing resources efficiently. We focused our investments in strategic fields and eliminated unnecessary investments which were not immediate. The attempt to cut back on the amount of investments resulted in an actual ¥24.9 billion reduction from the initially projected investment of ¥110 billion, making the final figure ¥85.1 billion. This has allowed us to post ¥2.2 billion less in our depreciation costs, which came to be ¥94.9 billion.

We are also putting a hold on most new hires to reduce the consolidated number of our employees by 2,000 by March 31, 2003 from the September 30, 2001 figure. As of March 2002, we had reduced the number of our employees by about 1,150, saving ¥1.4 billion in labor costs.

Because these measures yielded greater results than originally anticipated, and because the sales of our electronic products made a dramatic recovery starting in January 2002, we were able to secure results that exceeded our revised goals, which we announced mid-term.

As a result, our operating income margin declined 0.9 points to 5.5%.

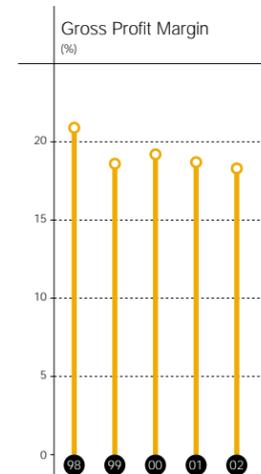
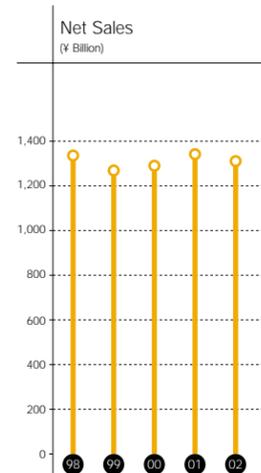
	March 2002	March 2001	March 2000
Net Sales	¥ 1,311,934	¥ 1,342,035	¥ 1,286,703
Gross Profit Margin	18.4%	18.7%	19.3%
Operating Income Margin	5.5%	6.4%	6.7%
Income Before Income Taxes	¥ 26,150	¥ 69,116	¥ 79,199
Net Income	15,609	33,409	39,034
EPS – Primary	20.55	43.99	51.40
– Fully diluted	20.53	43.45	50.47

(Yen in millions, except EPS)

### Net Sales

This fiscal year, due to the overall slow sales growth, a drop in unit order prices and a drastic decline in shadowmask sales in the electronics division, our sales decreased 2.2% to ¥1,311.9 billion.

Despite a dramatic recovery in the sales of our electronic products after January, our final



results this fiscal year were lower than the previous year due not only to a weakened domestic economy caused by sluggish consumer spending, an overall decline in demand resulting from the slow U.S. economy, but also to a drop in the sales of commercial printing caused by the negative growth in domestic advertising spending, lackluster performance in packaging and decorative materials, and a slight decline in the sales of soft drinks due to the unfavorable weather.

### Cost of Sales

Cost of sales this fiscal year decreased ¥20,223 million, or 1.9%, to ¥1,071,163 million. The percentage, meanwhile, increased slightly from the previous year's 81.3% to 81.6%.

This fiscal year, particularly in the first half, the cost ratio tended to be higher due to an overall drop in unit order prices, including a price drop in soft drinks. In the second half, however, we were able to reduce our cost of sales by cutting back on capital spending to reduce depreciation costs, and by cutting the costs of our manufacturing division. We estimate that we have saved about ¥8.5 billion in the cost of sales through our cost-cutting measures.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses this fiscal year increased ¥3,821 million, or 2.3%, over the previous fiscal year to ¥168,529 million. Their percentage to net sales also increased from 12.3% to 12.8%. While the major contributing factor of the increased expenses was the increased cost of sales promotions for our soft-drinks manufacturing operations, the result reflects our cost cutback efforts such as the cut in labor costs and indirect operation expenses. We estimate that we have saved about ¥2.7 billion in selling, general and administrative expenses through such cost-cutting measures.

### Operating Income

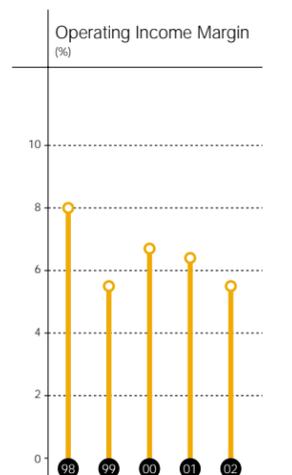
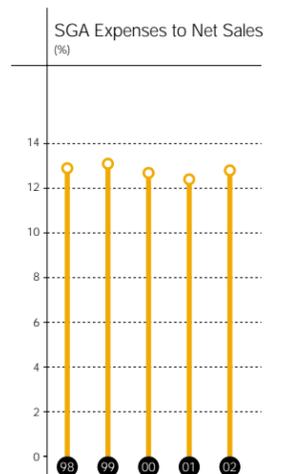
Our operating income this fiscal year was affected by the slump in our printing operations and the income decline in our soft-drinks manufacturing operations. Thus, despite our streamlining measures implemented in the second half of the fiscal year and the rapid recovery of the sales of electronics products after January, our operating income declined 15.9% to ¥72,242 million, while our operating income margin fell from 6.4% to 5.5%.

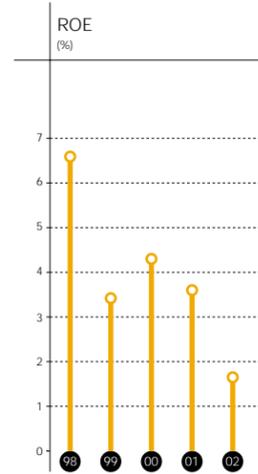
### Other Income and Expenses

This fiscal year, we recorded net other expenses of ¥46,092 million. The amount of expenses increased ¥29,267 million over the previous year.

Major factors that contributed to the increase in other expenses include the ¥30,806 million in valuation losses in investment securities posted as part of the mark-down process of the listed stocks we own, the ¥11,186 million loss in sales and the retirement of fixed assets posted as part of the rebuilding of our production system for shadowmasks and lead frames, and the ¥6,065 million annual amortization amount for the introduction of a new retirement benefit accounting system in the previous year. This fiscal year was the second of the total amortization period of five years in which the transitional obligation is amortized equally.

Due to the above factors, our income before income taxes this fiscal year decreased a significant 62.2% compared with the previous year to ¥26,150 million.





### Income Taxes

Our income taxes for this fiscal year dropped by 69.9% compared with the previous fiscal year to ¥10,335 million. The effective tax rate decreased from 49.6% to 39.5%.

### Net Income

As a result of the above, our net income decreased 53.3% from the previous year to ¥15,609 million. This also led to a decline in our ROE from 3.58% to 1.65%.

Our net income per share also decreased from ¥43.99 in the previous fiscal year to ¥20.55, and the diluted net income per share also decreased from ¥43.45 to ¥20.53.

## SEGMENT INFORMATION

Our consolidated segments consist of 1) our printing operations in which we conduct printing and contingent businesses, as well as apply printing technology to develop and manufacture products and 2) our soft-drinks manufacturing operations in which we manufacture and sell soft drinks in Hokkaido in northern Japan.

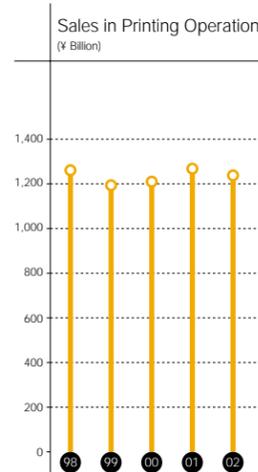
The printing operations consists of three divisions according to products: information media, lifestyle products, and electronic components and information media supplies.

## Printing

### Printing

	March 2002	March 2001	March 2000
Net sales	¥ 1,238,835	¥ 1,268,415	¥ 1,210,028
Operating Income	71,667	82,546	79,931
Operating Income Margin	5.8%	6.5%	6.6%

(yen in millions)



This fiscal year, our consolidated net sales in our printing operations decreased overall by 2.3% to ¥1,238,835 million. Our operating income also decreased by 13.2% to ¥71,667 million, while the operating income margin decreased from 6.5% to 5.8%.

The printing operations are a segment that comprises 94.4% of net sales and 99.2% of the operating income in DNP's consolidated statement this fiscal year. The printing operations include three independent operation divisions. Because we do not compile consolidated figures for these operational divisions, we can only disclose non-consolidated figures. However, the difference between the non-consolidated figures and the consolidated figures of the divisions in the printing operation is minimal.

All of the following information on the three divisions of our printing operations – Information Media Division, Lifestyle Products Division and Electronic Components and Information Media Supplies Division – are non-consolidated, Dai Nippon Printing Co., Ltd. information and were provided as supplementary material for our readers.

## Information Media Division

With the growing uncertainty of the future of the world economy's and the recovery of the Japanese economy not yet in sight, consumer spending continued to be sluggish and order prices dropped. As a result, we found ourselves in a severe business environment this fiscal year. Despite increased earnings in our business form operations, our businesses in books and publications and commercial printing slowed down, resulting in an overall net sales decrease in the Information Media Division by 3.4% to ¥614.2 billion.

### Books and Publications

This fiscal year, the Japanese publishing industry did not do well as sales declined 2.6% for books and 3.3% for magazines. The rapid popularization of the Internet, mobile phones and video games, as well as the increase in the number of almost-new book stores and recycled book stores, affected the already-harsh market to continue its fifth consecutive year of shrinking sales.

In this business situation, we made aggressive marketing efforts and obtained printing orders for new books such as cookbooks, game books and health-related books to increase our book printing sales, however slightly. Magazine printing sales, on the other hand, were significantly affected by the rise in the number of discontinued publications such as the well-known Japanese photo-journal magazine, Focus. Our printing sales of both weeklies and monthlies decreased from the previous year. Although, as the need for the network distribution of contents increased, we received more website orders by such publishing houses as Shueisha and Kodansha, overall sales of books and publications decreased by 1.5% from the previous fiscal year.

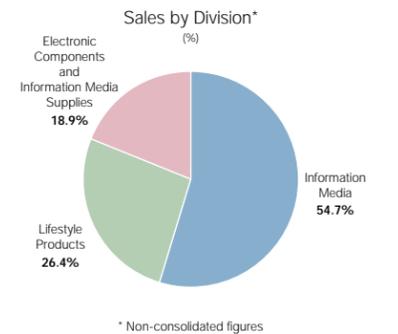
The number of new magazines published this fiscal year was 165, a decrease of 40 magazines from the previous year's 205. However, we obtained orders for 35% of the new magazines, which was an increase from the previous year's 29%. Meanwhile, the number of magazines discontinued this fiscal year was 140, of which 39% were our accounts. Compared with the previous year, the increased number of discontinued magazines that were our accounts affected and reduced our sales more this fiscal year.

While we cannot expect or foresee a major expansion in the publishing industry, we believe that the recovery in the number of new publications and other signs indicate that the industry has bottomed out and sales will level off for the time being. Despite the stagnation in sales growth, we intend to secure our income by promoting cost-cutting measures.

### Commercial Printing

This fiscal year, advertising expenses in Japan decreased to ¥6,058 billion, which is 99.1% of the previous year's advertising expenses. The decline became particularly steep after August.

Accordingly, we continued to remain in a tough business environment as competition for orders intensified and the demand for reducing unit prices grew stronger. We strove to increase our number of orders through vigorous marketing activities. Although orders for catalogs increased over the previous year, the slump in the retail and mail-order industries caused sales of flyers, pamphlets, POP (point of purchase) and premiums to decline.



\* Non-consolidated figures

Demand for last year's strong items, such as trading cards and the one-time MYLINE direct-mail notices, also died down. As a result, our overall sales in commercial printing decreased 5.7% from the previous year.

#### **Business Forms**

Sales this fiscal year in our business-forms printing operations increased by about 1.5% over the previous fiscal year. While sales of prepaid cards decreased from the previous year, sales of IPS (Information Processing Services) such as personalized direct mail services, as well as smart cards, grew significantly.

IPS orders increased for direct-mail notices related to the integration of financial institutions, share allotment letters accompanying the demutualization of life insurance companies, and statements for credit companies. As for smart cards, which are quickly gaining momentum as the future in bank, credit and other financial cards, we handle application software for banks, having developed an operation system called MULTOS. This puts us at an advantage for receiving smart card orders as our involvement with the system has earned us the honor of being the first company to be authorized by the Japanese Bankers Association. Currently, we practically hold a 100% share in the smart debit card market for banks that have indicated their intention to replace their current debit cards with smart debit cards. In the fiscal year ended March 2002, there was a demand for about 40 million smart cards. In the fiscal year ending March 2003, that demand is expected to grow to about 60 million, with increases in demand for smart credit cards, smart debit cards, smart employee ID cards and cards for mobile phones. We have thus far gained a share of more than 50% in the multi-function smart card market.

As smart cards become more multi-functional, the two basic operation systems that will be employed are MULTOS and JAVA. As DNP is the only company in the world that developed the two operation systems, we intend to use that advantage to promote orders and expand our royalty business.

We also plan to increase our production system from the current 1.5 million cards a month to 5 million cards a month in the fiscal year ending March 2004. This is based on our mid-term projection that the demand for smart cards will almost double between the fiscal year ending March 2004 and the fiscal year ending March 2005, from 160 million cards to 210 million cards.

#### **Lifestyle Products Division**

Sales of our lifestyle products were ¥296.1 billion, a decrease of 3.8% from the previous fiscal year.

#### **Packaging**

This fiscal year, sales of our packaging products decreased by 2.6%. This is due to the market slump caused by a drop in consumer spending and lower selling prices owing to deflation. Despite a sales increase in flexible packaging for food and snack products, sales of general paper and plastic containers decreased.

Meanwhile, our efforts to develop and sell environmentally friendly products for recycling and preserving the environment have resulted in increased sales of refill packages for plastic containers and bottles. We also promoted the sales of our aseptic filling system

for beverages, which utilizes our original technology. As a result, we have secured orders for three lines in the next fiscal year for companies such as the Coca-Cola Group. This is expected to boost next year's sales.

#### **Decorative Materials**

Housing starts for the fiscal year ended March 2002 decreased by 4.67% from the previous year to 1.174 million units, falling below the 1.2 million mark for the first time in three years. This was due to employment insecurity and fears of assets deflation in Japan, which prompted an increase in the number of rental housing while putting a hold on the construction of new condominiums, which had thus far continued to grow steadily. With the added drawback of the drop in the construction of public-financed houses, Japan's building materials market did not fare well this year.

Our exports, meanwhile, experienced a steady growth with the increase in housing starts in the United States and a strong sales growth in Europe.

As awareness for environmental protection grew, so did the need for environmentally friendly housing material replacements. We responded by striving to expand the sales of our non-vinyl-chloride products.

Overall, despite our growth in exports buoyed by the weak yen and the introduction of new brands, the drop in the housing demand at home affected us significantly; our net sales decreased by 7.2% from the previous fiscal year.

#### **Electronic Components and Information Media Supplies Division**

This fiscal year, sales of electronic components and information media supplies decreased 3.3% from the previous year to ¥211.5 billion, due to a slump in the sales of personal computers and recession in the semiconductor industry.

#### **Electronic Components**

This fiscal year, the slump in the sales of personal computers and recession in the semiconductor industry put a damper on the electronic component market. While sales of color filters, projection screens and photomasks increased, sales of lead frames and shadowmasks drastically decreased, resulting in a slow year overall. In the first half, the sales decrease was steep, at 7.7%. In the second half, however, sales bounced back to an increase of 3.3% over the same period the previous year due to a substantial increase in the sales of color filters and an apparent end to the falling sales of shadowmasks. Sales for the year overall thus settled at a 2.4% decrease.

Sales of shadowmasks for personal computer displays fell drastically due to the slump in the sales of personal computers and the rapid replacement of conventional displays by liquid-crystal displays. We, however, secured orders for consumer TVs in the second half of the year, reducing the sales decrease to about 30% from the first half's 40%. The overall sales decrease for the fiscal year thus stands at 35%. We have also taken drastic measures to scrap some production facilities to reduce our monthly production capacity from 7.2 million units to 4.5 million units. Having shifted to this higher-efficiency production system to improve our profit margin, we now have the prospect of securing earnings for the next fiscal year and beyond. The ratio of our shadowmask sales for use in personal

computers and consumer TVs was 80:20 as of March 2001. By March 2002, the percentage of consumer TVs had increased to 40%. We plan to raise this percentage to 50% or more by March 2003.

Meanwhile, sales of our color filters dramatically increased. Despite being affected by the drop in unit prices, our insightful measures to meet the rapidly growing demand for color filters by expanding our production capacity and establishing an OEM system with Taiwan's Sintek Corporation resulted in a 70% increase in production volume and a 49% increase in sales.

As for projection screens, we gained a 50% worldwide share as our sales continued to grow strong by a 15% increase over the previous year.

We were able to secure a 10% increase in the sales of our photomasks despite the continuing slump among Japan's semiconductor-related manufacturers and stagnant growth in overseas orders in the second half of the year. Despite only a slight increase in the sales volume, we increased our sales by raising the percentage of our cutting-edge masks, which resulted in higher unit prices. As for lead frames, the fall of their sales volume came to a halt as semiconductor production recovered in the second half of the year. As a result, the decrease in sales took a slight turn for the better, as the sales decrease came to 35%.

Overall, we are beginning to see a brighter future in the growth of electronic components as sales of personal computers recover and the once-plunging semiconductor market stabilizes. We have recorded a positive growth in the second half of the year, as our monthly performance after January also shows a double-digit growth.

#### DNP's Global Market Share in Electronic Operations

Global Market Share (%)

Products		FY ended March 2002
Shadowmasks	CDT+CPT (Excluding house-manufactured products)	40
	CDT (Excluding house-manufactured products)	45
Color filters	Excluding house-manufactured products	27
Projection screens		53
Photomasks	Including house-manufactured products	19
Leadframes	Etching type	36

CDT= Masks for PCs; CPT= Masks for TVs

#### Information Media Supplies

This fiscal year, despite growing sales in lithium-ion rechargeable batteries, overall sales of information media supplies decreased 6.8% from the previous fiscal year due to our inventory adjustment which caused a sales decline in liquid-thermal transfer ribbons for ordinary-paper facsimile and sublimation transfer ribbons for color printers.

The number of digital cameras sold in Japan between January and December of 2001 grew a whopping 43% over the same period last year to 14.8 million. Despite such an increase, demand for color printers decreased 6.6% over the previous year. Particularly slow to sell are high-price-range personal printers for digital cameras utilizing our sublimation transfer ribbons. Until the price for such personal printers comes down, we expect a growth in demand for commercial-use printers for DPE and convenience stores.

## Beverages

### Beverages

	March 2002	March 2001	March 2000
Net sales	¥ 73,099	¥ 73,620	¥ 76,675
Operating Income	575	3,395	5,956
Operating Income margin	0.8%	4.6%	7.8%

(yen in millions)

This fiscal year, sales were weak in our soft-drinks manufacturing operations despite steady sales in tea beverages. The negative factors were the price competition led by large retailers, intense sales promotion competition, serious economic recession in Hokkaido where corporate bankruptcies were numerous, and bad weather during the high season.

In such an environment, we introduced new products and new packages to meet consumers' diversified needs, as well as launched advertising campaigns and sales promotions as part of our aggressive sales activities.

We also strove to improve our productivity and energy efficiency. We also were first among bottlers to employ production equipment for paper-pack products.

As a result, sales in our soft-drinks manufacturing operation decreased 0.7% to ¥73,099 million. Operating income decreased 83.1% to ¥575 million.

## LIQUIDITY AND CAPITAL RESOURCES

We believe that the foundation of our financial strength and an important factor in enhancing our value as a corporation is our ability to generate cash from our operating activities to enable us to continue investing in growth areas. We, the management, remain convinced that in the fiscal year ending March 2003, we will continue to secure sufficient liquidity needed for DNP to maintain and expand its business.

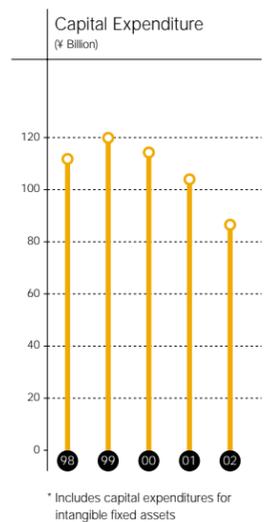
### Cash Flows

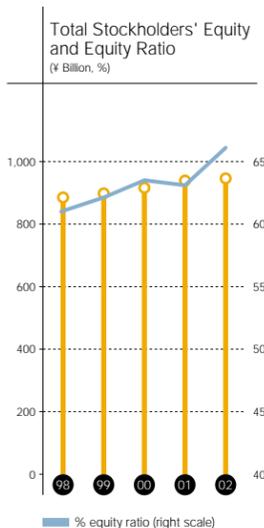
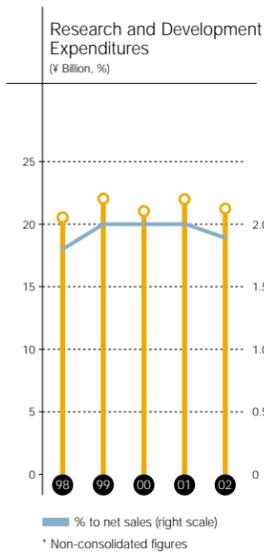
Free cash flow is cash flow that we can invest freely in fields that contribute to DNP's advancement. It is also a source of corporate value. This fiscal year, we were able to generate a free cash flow of ¥35,875 million.

	March 2002	March 2001	March 2000
Cash flows provided by operations	¥ 133,830	¥ 116,728	¥ 122,809
Business reinvestment	(97,955)	(72,879)	(108,058)
Free cash flow	35,875	43,849	14,751

(yen in millions)

This fiscal year, cash flows from operating activities increased 14.7% over the previous fiscal year to ¥133,830 million. Factors for this increase include this fiscal year's lower inventories.





Cash and the cash equivalents we used in our investing activities decreased by 32.9% from the previous fiscal year to ¥79,563 million. This decrease was due primarily to a reduction in short-term investments.

Meanwhile, the cash flows we used in our financing activities this fiscal year decreased 13.66% from the previous fiscal year to ¥25,594 million.

Because of the ¥30,639 million increase due to these activities and the ¥1,898 million in cash from newly consolidated subsidiaries, our cash and cash equivalents at the end of the fiscal year increased by 20.7% to ¥189,615 million.

We, the management, make certain we maintain sufficient liquidity to implement our business strategies in a flexible manner and to respond to changes in our business environment. As a rule, we take care to always retain cash at hand for an amount equivalent to two months of our monthly sales. We are aware that maintaining liquidity is particularly important in light of the instability of today's financial institutions and the trend of the primary market of corporate bonds.

#### The Balance Sheet

So that DNP can increase its corporate value, we, the management, always keep in mind arranging our capital composition to suit the business environment and to minimize our cost of capital.

	March 2002	March 2001	March 2000
Total assets (million yen)	¥ 1,432,458	¥ 1,489,871	¥ 1,442,307
Current ratio	1.81x	1.65x	1.60x
Working capital-to-net sales	0.23x	0.21x	0.20x
Debt/equity ratio	0.08x	0.09x	0.08x
Leverage ratio	1.51x	1.59x	1.56x
Book value per share (yen)	¥ 1,246.99	¥ 1,236.96	¥ 1,218.79

DNP's total assets at the end of this fiscal year decreased 3.9% from the previous year to ¥1,432,458 million.

Total current assets decreased by 4.3% to ¥690,010 million due to factors such as trade receivables decreasing by 5.1% to ¥411,336 million and inventories decreasing by 11.1% to ¥76,401 million.

Investments and advances at the end of the fiscal year decreased by 13.7% to ¥133,678 million due primarily to the ¥21,796 million decrease in investment securities that resulted from introducing current-value accounting and posting valuation losses. Otherwise there was a ¥15,409 million increase this fiscal year due to deferred tax assets which resulted from investment securities write-downs and provisions for retirement benefits which were not recognized as losses for tax purposes.

Property, plant and equipment decreased 3.0% to ¥543,962 million due to a hold on capital investments in the second half of the fiscal year.

Meanwhile, in liabilities, our current liabilities at the end of this fiscal year decreased by 12.5% from the previous year to ¥381,678 million. The main factors for this were the ¥33,787 million, or 11.4%, decrease in trade payables to ¥261,920 million, the 35.1% decrease in short-

term bank loans to ¥10,943 million due to the improved status of funds at some subsidiaries, the 44% reduction in income taxes payable to ¥12,475 million, and the ¥21,769 million, or 25.4%, reduction in other current liabilities to ¥64,012 million.

Our long-term liabilities this fiscal year decreased by 8.1% to ¥79,013 million. The factors for this included the ¥11,730 million, or 36%, increase of provisions for retirement benefits to ¥44,335 million due primarily to the ¥6 billion annual five-year amortization of transition obligation and the ¥3.2 billion that resulted mainly from the amortization of deferred actuarial losses and prior service costs.

The factors also included the ¥19,181 million, or a 39.3% decrease, of convertible bonds outstanding to ¥29,663 million due to their transfer to current liabilities.

As a result of the above, our total liabilities at the end of this fiscal year decreased by 11.8% to ¥460,691 million.

Meanwhile, our total stockholders' equity at the end of this fiscal year increased by 0.8% to ¥946,998 million due primarily to our net income this fiscal year.

## RISK MANAGEMENT

Under the normal course of business, we are exposed to various market risks arising from fluctuations in foreign exchange rates, interest rates and stock markets. For example, this fiscal year, about 11.5% of our net sales consisted of overseas sales, and to that extent, we were exposed to risks in currency market fluctuations. To totally eliminate or reduce some of the risks from foreign exchange rates, we mainly use forward exchange contracts.

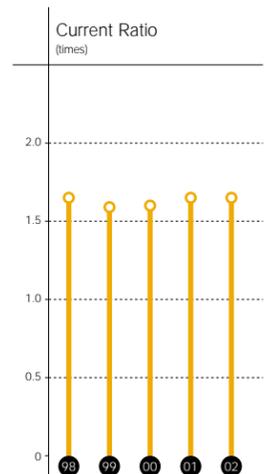
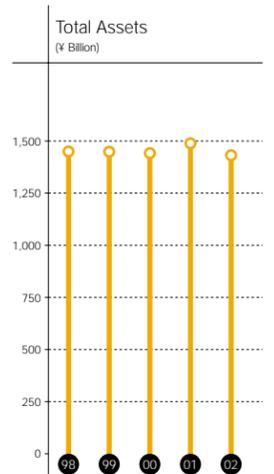
For interest risks arising from our investing and day-to-day cash management activities, however, we do not enter into hedging transactions as these risks have only a minor impact on the balance sheet of the DNP Group. Also, although we hold various listed and unlisted stocks for strategic holding and investment purposes, and thus are exposed to stock price fluctuation risks, we do not hedge these equity positions.

We do not enter into derivative transactions for purposes other than to avoid such risks. Thus, these transactions are not at all for investment purposes or short-term trading purposes. All exposures from any transactions of derivative financial instruments that we engage in are offset by reciprocal risks of assets or liabilities held on our balance sheet.

We also maintain a strict control system in which it is necessary to obtain our company director's prior approval to engage in transactions of the said instruments. Our Accounting Division and others control and execute methods and limit transactions related to all our derivative transactions within the range set forth in our internal rules.

In addition, because all our derivative transactions are over-the-counter transactions, they are accompanied by the credit risks of the counter-party banks. However, all transactions we engage in are with banks of high credit standing. Hence we assume that we run a negligible risk of bearing losses from such credit risks.

Besides such risks, we may be exposed to non-financial or imponderable risks during our day-to-day operations. These risks include country risks, credit risks and legal risks. Because they are unpredictable, we did not describe them in this Annual Report. As for legal actions, we did not have any pending as of the end of the fiscal year under review.



# Environmental Accounting

(For details, please refer to DNP Group Environmental Annual Report 2002.)

At DNP, we promote highly effective environmental conservation activities through environmental accounting.

## Purpose:

- To utilize environmental accounting as an environmental management tool for the entire DNP Group.
  - Compile and categorize expenses incurred on environmental conservation, as well as their results, and use them as reference to evaluate and verify the effectiveness of environmental conservation activities.
  - Use environmental accounting as reference to determine individual environmental conservation measures, and for determining Group-wide environmental conservation expenses and investments.
  - In an effort to continuously improve environmental performance, use environmental accounting as reference to verify the results and the achievement levels of the year's environmental conservation activities.
- To utilize environmental accounting as a communication tool with the public.
  - Use environmental accounting as reference to publicize DNP Group's environmental conservation efforts and results.
  - Use environmental accounting as reference material to solicit comments from shareholders, customers and local residents, and to get feedback for DNP's environmental conservation activities.

## Environmental conservation cost

(\*Years ended March 31)

(yen in millions)

Category	Expense		Investment		Details of major efforts
	2001*	2002*	2001*	2002*	
(1) Costs at the business premises					
Antipollution costs	2,697	2,267	651	1,313	Changing fuel (to LPG), adding an oily water separation tank and deodorizing equipment
Global environmental conservation costs	1,255	924	1,226	256	Controlling room temperature and lighting, using inverter-power and introducing co-generation systems
Resource recycling costs	3,801	3,163	129	79	Sort-and-recycle; zero-emission (using RPF as cement material)
(Total costs at the business premises)	7,753	6,354	2,006	1,648	
(2) Up/downstream costs	267	195			Designing environmentally friendly products; bearing container and packaging recycle costs
(3) Management activity costs	1,147	2,044			Cost of ISO14001 judging and registration fees; environmental measurement costs; cost of preparing environmental reports
(4) R&D costs	2,501	1,704			Research and development of environmentally friendly products and production methods
(5) Community activity costs	93	12			Planting trees and greenery outside the plant premises; supporting activities of environmental conservation organizations*
(6) Environmental damage costs	0	0			
Total	11,761	10,309	2,006	1,648	

\*including ¥1 million for WWF and ¥40,000 for GPN

## Environmental conservation equipment

(yen in millions)

Category	Acquired price	Accumulated depreciation	Book value	Major environmental conservation equipment
Antipollution equipment	7,074	4,075	2,999	Dust collector, wastewater processor, oily water separator, deodorizing equipment, solvent recovery equipment
Global environmental conservation equipment	4,971	2,828	2,143	Cogeneration system, inverter, ice thermal storage system
Resources recycling equipment	4,308	2,778	1,530	Exhaust heat waste incinerator, waste can press machine, dust collector for recovering paper dust
Total	16,353	9,681	6,672	

## Environmental conservation costs to total costs ratio

(yen in millions)

Category	Consolidated total costs	Environmental conservation costs	Percentage of environmental conservation costs	Details of major environmental conservation costs
Amount invested during the said period	85,096	1,648	1.94%	Solvent and exhaust gas recovery and refining equipment, oily water separation tank, deodorizing equipment, etc.
R&D costs during the said period	23,367	1,704	7.29%	Non-vinyl chloride decorative sheets, non-aluminum packaging materials, water-based ink, etc.

## Basic matters upon calculating environmental accounting information:

- Period covered: April 1, 2001 through March 31, 2002 (Environmental conservation equipment is that appropriated as of March 31, 2002)
- Companies covered: Of the companies included for consolidated accounting purposes, all manufacturing companies in Japan (37 companies and 53 sites), one distribution company and one in-house meal providing company, excluding six trading, real estate sales, teaching material sales, software development and other companies.
- Unit: All monetary figures are in millions of yen (Rounded off to the nearest millions)
- Announcement format: The format has been changed to the Comprehensive Benefits Comparison Format in the Ministry of the Environment "Guidelines for the year 2002." Thus, the previously shown details of environmental conservation costs are not shown this year. However, environmental conservation equipment and sales of environmentally friendly product are shown.
- Calculation basis for environmental conservation costs  
The environmental conservation costs include depreciation expenses for investments. Depreciation is implemented in accordance with corporate tax law regulations.

## (6) Calculation basis for environmental conservation benefits

DNP uses consumption per added-value as indicator for the volume of resources (energy and water) spent on business activities, as well as for the volume of waste materials and CO<sub>2</sub> emissions. The added-value amount is calculated at the same standards as the "Management Analysis of Japanese Corporations" issued by the Ministry of International Trade and Industry.  
The recycle rate of waste materials represents the percentage of the weight of unwanted plant-generated materials that were recycled on- and off-site.  
Benefits of up/downstream costs are the benefits of reduced CO<sub>2</sub> emissions at the time of the disposing of container and packaging products.  
Benefits related to negative environmental impact during transportation are the benefits of reduced CO<sub>2</sub> emissions at the time of product transportation by the distribution company that is included in DNP's consolidated accounting.

## (7) Calculation basis for the economic benefits of environmental conservation measures

Cost-saving benefits were calculated by the formula:  
(Energy consumption per added-value amount or waste processing cost per added value of benchmark period - those of this period) x value-added amount  
For the benchmark period, the consumption or cost per value is the overall average of the three years prior to this fiscal year. However, in calculating unit consumption for the benchmark period, the energy cost was adjusted to this fiscal year's price level due to dramatic price fluctuations.  
While we showed economic benefits for each of our efforts such as "Energy-conservation benefits by cogeneration" and "Benefits of exhaust heat usage by incinerators" for fiscal year 2000, for fiscal year 2001, we complied with the Environment Agency's "Guidelines for the year 2002" and depicted economic benefits as the amount of cost savings adjusted by the business activity amount.

Details	Antipollution efforts	Global environmental conservation	Recycling resources	Total amount
Depreciation expense for the year ended March 31, 2002	646	524	384	1,554
Of the above, amount appropriated as investment prior to the year ended March 31, 2001	492	497	378	1,367
Of the above, amount appropriated as investment in the year ended March 31, 2002	154	27	6	187

Personnel costs for full-time workers are calculated at cost while personnel costs for workers holding two or more posts are calculated at 1/10 or 1/5 the average personnel cost per person, depending on the worker's assigned duty. R&D costs are the total cost incurred at 10 R&D centers on researching and developing products and manufacturing equipment that have minimal negative environmental impact.

## Environmental conservation benefits

(\*Years ended March 31)

Details of benefits	Category of index showing benefits	Index value			Remarks
		2000*	2001*	Difference	
(1) Benefits of costs at the business premises					
Benefits related to supplied resources					
Supplied energy	Energy consumption (TJ)	18,845	18,702	-143	All energy used was converted into average calorific values.
	Added-value unit consumption for the above (TJ/100 million yen)	4.40	4.21	-0.19	0.19TJ was reduced per added value of 100 million yen.
Supplied water	Water usage (in thousands of tons)	15,315	14,343	-972	
	Added-value unit consumption for the above (1,000 ton/100 million yen)	3.57	3.23	-0.34	340 tons were reduced per added value of 100 million yen.
Supplied main raw materials (paper, plastic, metal, etc.)	Supplied amount (in thousands of tons)	2,481	2,469	-12	Including raw materials for ink and beverages
	Amount of unwanted materials generated/supplied amount (%)	17.7	15.4	-2.2	Excluding unwanted materials that do not correspond with the main raw materials
Benefits related to negative environmental impacts					
Emissions to the atmosphere	SOx emission (tons)	77.2	74.5	-2.7	Calculated from fuel used
	NOx emission (tons)	621.6	620.4	-1.2	Calculated from supplied energy
	Emissions of negative environmental impact substances (354 PRTR substances) (t)	8,936	5,115	-3,821	Total of 10 substances subject to be reported
Discharges to water areas	COD discharge (ton)	22.6	32.3	9.7	Calculated from the amount of discharged water and average concentration
	Discharges of negative environmental impact substances (354 PRTR substances) (t)	0	9.6	9.6	One substance (Hydrazine)
Discharge of waste materials	Generated unwanted materials (in thousands of tons)	646.1	519.4	-126.7	Including unwanted materials other than from the main raw materials
	Discharged waste materials (in thousands of tons)	133.8	105.0	-28.8	
	Added-value unit consumption for the above (1,000 ton/1 million yen)	0.312	0.236	-0.076	76kg of generated waste materials were reduced per added-value of 1 million yen.
	Recycle rate (%)	71.9	74.2	2.3	Including heat recovered on site
Emissions of greenhouse-gasses	Amount of transported negative environmental impact substances (354 PRTR substances) (tons)	1,672	2,400	728	Total of 23 substances subject to be reported
	Emissions of greenhouse-gasses (1,000 tons - CO <sub>2</sub> )	837.4	833.7	-3.7	Including amounts emitted by incinerators and drying furnaces.
	Added-value unit consumption for the above (Ton/100 million yen)	195.4	187.7	-7.7	7.7 tons of emissions were reduced per added-value of 100 million yen.
(2) Benefits of up/downstream costs					
Benefits related to goods produced by business activities					
CO <sub>2</sub> emissions at the time of disposing of products	CO <sub>2</sub> emissions (1,000 tons - CO <sub>2</sub> )	480.5	402.3	-78.2	
	CO <sub>2</sub> emissions/product shipment volume	1.69	1.56	-0.13	0.13 tons of CO <sub>2</sub> emissions were reduced per 1 ton of products.
(3) Other environmental conservation benefits					
Benefits related to negative environmental impact during transportation					
	CO <sub>2</sub> emissions during product transportation (ton)	6,069	5,272	-797	CO <sub>2</sub> emissions were reduced by 797 tons.
	CO <sub>2</sub> emissions during transportation/ (Transportation weight x Transportation distance)(ton/million ton-km)	114	95	-19	19 tons of CO <sub>2</sub> were reduced per million ton-km.

## Economic benefits of environmental conservation measures

(\*Years ended March 31)

(yen in millions)

Details of benefits	Amount in yen			Remarks	
	2000*	2001*	Difference		
(1) Increased sales					
Economic benefits of R&D costs					
	Sales of environmentally friendly products	63,032	75,731	12,699	20.1% increase from fiscal year 2000
(2) Increased income					
Benefits of resource recycling costs					
	Business income from recycling unwanted materials	1,140	919	-221	Saleable unwanted materials decreased.
(3) Cost savings					
Benefits of global environmental conservation and resource recycling costs					
	Saving energy costs by energy conservation	-551	1,049	1,600	Energy cost unit consumption dramatically improved.
	Saving waste-materials processing costs by resource conservation	618	917	299	Processing cost unit consumption improved by reducing the volume of waste generated.

## Environmental conservation costs and environmental conservation measures

While the amount invested in environmental conservation equipment decreased 17.8%, or 358 million yen, from the previous year, about 1.3 billion yen, or 80% of the entire amount, was spent on antipollution measures such as deodorizing equipment and solvent recovery equipment.  
While environmental conservation costs such as costs at the business premises and R&D costs were generally reduced, environmental management activity costs were increased.

## Environmental conservation benefits

All benefits related to supplied resources such as energy, water and main raw materials were improved.  
Indexes related to negative environmental impacts such as the atmosphere, waste materials and greenhouse gasses are steadily improving.  
While we reduced emissions of PRTR (Pollutant Release and Transfer Register) substances to the atmosphere by 42.8%, the volume of materials transported as waste materials increased due to materials recycled under inverse onerous contracts.

## Economic benefits of environmental conservation measures

Sales of environmentally friendly products increased 20.1% from the fiscal year 2000, meeting the DNP Group's goal of a 10% increase from the previous year.  
The sales of environmentally friendly products accounted for 5.8% of consolidated sales, up from 4.7% in the fiscal year 2000.  
Income from recycling unwanted materials decreased 221 million yen due to the reduction in saleable unwanted materials, especially wastewater and waste metals.  
Benefits of cost reduction are calculated by (7) under Basic matters upon calculating environmental accounting information in the preceding page.  
In the fiscal year 2001, despite the added-value amount increasing 9.0% from the benchmark period (three-year average between fiscal 1998 and fiscal 2000), we gained economic benefits of substantial cost reductions due to unit consumptions improving in both energy consumption and generated waste materials.

# Selected Financial Data (unaudited)

(For details, please refer to DNP Data Book 2002.)

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries

	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>Income Statement Data (¥ million)</b>									
Net Sales	¥ 1,311,934	¥ 1,342,035	¥ 1,286,703	¥ 1,269,543	¥ 1,336,604	¥ 1,310,100	¥ 1,245,300	¥ 1,192,827	¥ 1,145,535
Cost of sales	1,071,163	1,091,386	1,039,006	1,033,926	1,056,962	1,028,614	983,301	945,570	918,386
Gross profit	240,771	250,649	247,697	235,617	279,642	281,486	261,999	247,257	227,149
Selling and administrative expenses	168,529	164,708	161,811	166,008	172,824	170,298	161,609	156,536	147,180
Operating income	72,242	85,941	85,886	69,609	106,818	111,188	100,390	90,721	79,969
Income before income taxes and minority interests	26,150	69,116	79,199	77,703	100,634	107,394	98,103	101,542	82,980
Net income	15,609	33,409	39,034	30,493	56,539	56,165	52,974	49,200	40,808
<b>Balance Sheet Data (¥ million)</b>									
Total assets	¥ 1,432,458	¥ 1,489,871	¥ 1,451,700	¥ 1,445,293	¥ 1,450,709	¥ 1,410,138	¥ 1,336,689	¥ 1,274,581	¥ 1,213,125
Property, plant and equipment-net	543,962	561,017	561,898	570,860	536,364	501,622	461,158	434,809	417,868
Long-term liabilities	79,013	86,012	77,637	100,695	100,214	97,340	106,792	113,295	118,029
Total liabilities	460,691	522,105	495,541	518,323	538,113	553,172	532,451	514,117	494,544
Total Stockholders' equity	946,998	939,441	925,646	898,646	885,507	831,262	780,484	738,243	699,860
<b>Other Selected Data (¥ billion)</b>									
Capital expenditures	¥ 85.10	¥ 103.05	¥ 113.86	¥ 119.37	¥ 111.34	¥ 113.66	¥ 93.65	n.a.	n.a.
R&D expenditures	23.37	24.66	23.57	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Depreciation expenses	94.87	94.31	94.59	82.80	73.91	67.58	62.42	n.a.	n.a.
<b>Per Common Share Data (¥, shares)</b>									
Earnings per share - primary	¥ 20.55	¥ 43.99	¥ 51.40	¥ 40.15	¥ 74.49	¥ 74.52	¥ 70.63	¥ 65.63	¥54.45
Earnings per share - fully diluted	20.53	43.45	50.47	39.54	72.53	72.15	68.19	n.a.	n.a.
Dividends paid per share	18.00	18.00	18.00	18.00	18.00	17.00	16.00	15.00	14.00
Book value per share	1,246.99	1,236.96	1,218.79	1,183.24	1,165.94	1,102.56	1,040.49	984.61	933.63
No. of common shares outstanding - primary	759,480,693	759,480,693	759,480,693	759,480,693	759,480,693	753,940,533	750,110,275	749,779,633	749,613,920
<b>Financial Ratios (% , times)</b>									
As a percent of net sales:									
Gross profit	18.35%	18.68%	19.25%	18.56%	20.92%	21.49%	21.04%	20.73%	19.83%
Selling, general and administrative expenses	12.85	12.27	12.58	13.08	12.93	13.00	12.98	13.12	12.85
Operating income	5.51	6.40	6.67	5.48	7.99	8.49	8.06	7.61	6.98
Income before income taxes and minority interests	1.99	5.15	6.16	6.12	7.53	8.20	7.88	8.51	7.24
Net income	1.19	2.49	3.03	2.40	4.23	4.29	4.25	4.12	3.56
Return on equity	1.65	3.58	4.28	3.42	6.59	6.97	6.98	6.84	5.96
Current ratio	1.81x	1.65x	1.60x	1.59x	1.65x	1.60x	1.62x	1.65x	1.63x
Debt-to-equity ratio	0.04x	0.06x	0.06x	0.08x	0.08x	0.09x	0.11x	0.12x	0.14x

# Financial Statements

## Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 4) .....	¥ 189,615	¥ 157,078	\$ 1,425,677
Time deposits .....	298	32,380	2,240
Securities (Note 5) .....	3,165	2,020	23,797
Trade receivables (Note 10) .....	411,336	433,417	3,092,752
Allowance for doubtful receivables .....	(5,806)	(5,806)	(43,654)
Inventories (Note 6) .....	76,401	85,931	574,444
Prepaid expenses and other current assets (Notes 10 and 13) .....	15,001	16,327	112,789
Total current assets .....	690,010	721,347	5,188,045
<b>Investments and advances:</b>			
Non-consolidated subsidiaries and associated companies (Note 10) .....	11,651	10,486	87,602
Investment securities (Note 5) .....	121,008	142,804	909,834
Other .....	1,019	1,568	7,662
Total investments and advances .....	133,678	154,858	1,005,098
<b>Property, plant and equipment, at cost (Note 7):</b>			
Land .....	114,096	105,176	857,865
Buildings .....	396,194	391,616	2,978,902
Machinery and equipment .....	864,072	866,836	6,496,782
Construction in progress .....	9,327	6,873	70,128
Total .....	1,383,689	1,370,501	10,403,677
Accumulated depreciation .....	(839,727)	(809,484)	(6,313,737)
Net property, plant and equipment .....	543,962	561,017	4,089,940
<b>Other assets (Note 13) .....</b>	<b>64,808</b>	<b>52,649</b>	<b>487,278</b>
<b>Total assets .....</b>	<b>¥ 1,432,458</b>	<b>¥ 1,489,871</b>	<b>\$ 10,770,361</b>

The accompanying notes are an integral part of these consolidated financial statements.

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 7) .....	¥ 10,943	¥ 16,870	\$ 82,278
Current portion of long-term debt (Note 7) .....	19,959	1,101	150,068
Trade payables (Note 10) .....	261,920	295,707	1,969,323
Accrued expenses (Note 10) .....	32,260	34,530	242,556
Income taxes payable (Note 13) .....	12,475	22,278	93,797
Other current liabilities .....	44,121	65,607	331,737
Total current liabilities .....	381,678	436,093	2,869,759
<b>Long-term liabilities:</b>			
Long-term debt (Note 7) .....	33,730	53,340	253,609
Liability for retirement benefits (Note 8) .....	44,335	32,605	333,346
Other long-term liabilities (Note 13) .....	948	67	7,128
Total long-term liabilities .....	79,013	86,012	594,083
<b>Minority interests .....</b>	<b>24,769</b>	<b>28,325</b>	<b>186,233</b>
<b>Contingent liabilities (Note 16)</b>			
<b>Stockholders' equity:</b>			
Common stock -			
Authorized : 1,200,000,000 shares;			
Issued : 759,480,693 shares in 2002 and 2001 (Notes 7 and 9) .....	114,464	114,464	860,632
Capital surplus (Note 9) .....	144,898	144,898	1,089,459
Retained earnings (Note 9) .....	688,491	685,760	5,176,624
Unrealized gain on available-for-sale securities .....	1,625	-	12,218
Foreign currency translation adjustments .....	(2,409)	(5,678)	(18,113)
Treasury stock, at cost 54,838 shares in 2002 and 2,484 shares in 2001 .....	(71)	(3)	(534)
Total stockholders' equity .....	946,998	939,441	7,120,286
<b>Total liabilities, minority interests and stockholders' equity .....</b>	<b>¥ 1,432,458</b>	<b>¥ 1,489,871</b>	<b>\$ 10,770,361</b>

# Financial Statements

## Consolidated Statements of Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Net sales (Note 17) .....	¥ 1,311,934	¥ 1,342,035	\$ 9,864,165
Cost of sales (Notes 11, 14 and 17) .....	1,071,163	1,091,386	8,053,857
Gross profit .....	240,771	250,649	1,810,308
Selling, general and administrative expenses (Notes 11, 14 and 17) .....	168,529	164,708	1,267,135
Operating income .....	72,242	85,941	543,173
<b>Other income (expenses) (Note 12):</b>			
Interest and dividend income .....	2,597	3,103	19,526
Interest expenses .....	(1,458)	(1,499)	(10,962)
Equity in (losses) earnings of associated companies .....	(210)	128	(1,579)
Net loss on disposal of property, plant and equipment .....	(10,722)	(5,897)	(80,617)
Net (loss) gain on sales of marketable securities and investment securities .....	(563)	430	(4,233)
Loss on devaluation of investment securities .....	(30,806)	(3,344)	(231,624)
Payments of special retirement benefits .....	(194)	(684)	(1,459)
Gain (loss) on liquidation of subsidiaries .....	154	(2,526)	1,158
Gains on contributions of securities to employees' retirement benefits trust (Note 8) ...	-	11,317	-
Amortization of transitional obligation for retirement benefits (Note 8) .....	(6,065)	(6,058)	(45,601)
Contribution of securities to employees' retirement benefits trust (Note 8) .....	-	(15,432)	-
Loss on devaluation of inventories .....	(221)	(3,222)	(1,662)
Other .....	1,396	6,859	10,497
	(46,092)	(16,825)	(346,556)
Income before income taxes and minority interests .....	26,150	69,116	196,617
<b>Income taxes (Note 13):</b>			
Current .....	25,472	37,077	191,519
Deferred .....	(15,137)	(2,784)	(113,812)
	10,335	34,293	77,707
	15,815	34,823	118,910
<b>Minority interests</b> .....	(206)	(1,414)	(1,549)
Net income .....	¥ 15,609	¥ 33,409	\$ 117,361

	yen	U.S. dollars (Note 3)
Net assets per common share .....	¥ 1,246.99	\$ 9.38
<b>Net income per common share:</b>		
Primary .....	20.55	0.15
Fully diluted .....	20.53	0.15

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Stockholders' Equity

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Common stock:</b>			
Balance at beginning of year .....	¥ 114,464	¥ 114,464	\$ 860,632
Balance at end of year .....	¥ 114,464	¥ 114,464	\$ 860,632
<b>Capital surplus:</b>			
Balance at beginning of year .....	¥ 144,898	¥ 144,898	\$ 1,089,459
Balance at end of year .....	¥ 144,898	¥ 144,898	\$ 1,089,459
<b>Retained earnings:</b>			
Balance at beginning of year .....	¥ 685,760	¥ 666,287	\$ 5,156,090
Net income .....	15,609	33,409	117,361
Cash dividends (Note 9) .....	(13,670)	(13,670)	(102,782)
Bonuses to directors .....	(223)	(230)	(1,677)
Decrease resulting from change in consolidation scope .....	(130)	(49)	(977)
Increase resulting from change in consolidation scope .....	1,145	-	8,609
Increase resulting from change in scope of equity accounting .....	-	13	-
Balance at end of year .....	¥ 688,491	¥ 685,760	\$ 5,176,624

The accompanying notes are an integral part of these consolidated financial statements.

# Financial Statements

## Consolidated Statements of Cash Flows

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 26,150	¥ 69,116	\$ 196,617
<b>Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:</b>			
Depreciation .....	94,870	94,312	713,308
Provision for doubtful receivables (net) .....	2,405	(2,380)	18,083
Provision for retirement benefits (net) .....	11,676	6,618	87,789
Equity in losses (earnings) of associated companies .....	210	(128)	1,579
Amortization of goodwill (net) .....	(40)	55	(301)
Interest and dividend income .....	(2,597)	(3,103)	(19,526)
Interest expenses .....	1,458	1,499	10,962
Net loss (gain) on sales of marketable securities and investment securities .....	563	(430)	4,233
Loss on devaluation of investment securities .....	30,806	3,344	231,624
Net loss on disposal of property, plant and equipment .....	10,722	5,897	80,617
Contribution of securities to employees' retirement benefits trust, at cost .....	-	4,115	-
Decrease (increase) in trade receivables .....	25,866	(36,266)	194,481
Decrease (increase) in inventories .....	10,745	(8,454)	80,790
Increase (decrease) in trade payables .....	(39,615)	3,035	(297,857)
Other .....	(3,922)	17,462	(29,489)
Sub-total .....	169,297	154,692	1,272,910
Payments of special retirement benefits .....	(194)	(684)	(1,459)
Payments for income taxes .....	(35,273)	(37,280)	(265,210)
Net cash provided by operating activities .....	133,830	116,728	1,006,241
<b>Cash flows from investing activities:</b>			
Net decrease (increase) of time deposits .....	32,082	(30,642)	241,218
Payments for purchases of marketable securities .....	(179)	(220)	(1,346)
Proceeds from sales of marketable securities .....	1,922	275	14,451
Payments for purchases of property, plant and equipment .....	(100,385)	(74,225)	(754,774)
Proceeds from sales of property, plant and equipment .....	2,430	1,346	18,271
Payments for purchases of investment securities .....	(15,210)	(7,225)	(114,361)
Proceeds from sales of investment securities .....	4,116	1,776	30,947
Interest and dividend received .....	2,597	2,117	19,526
Other .....	(6,936)	(11,762)	(52,150)
Net cash used in investing activities .....	(79,563)	(118,560)	(598,218)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term bank loans .....	(6,619)	3,674	(49,767)
Proceeds from long-term debt .....	313	3,754	2,353
Repayments of long-term debt .....	(1,122)	(1,549)	(8,436)
Redemption of convertible debentures .....	-	(19,896)	-
Interest paid .....	(1,457)	(1,493)	(10,955)
Dividend paid .....	(14,125)	(14,137)	(106,203)
Payments for purchases by subsidiaries of their treasury stocks .....	(2,516)	-	(18,917)
Other .....	(68)	4	(511)
Net cash used in financing activities .....	(25,594)	(29,643)	(192,436)
<b>Effect of exchange rate changes on cash and cash equivalents</b> .....	1,966	734	14,781
Net increase (decrease) in cash and cash equivalents .....	30,639	(30,741)	230,368
<b>Cash and cash equivalents at beginning of year</b> .....	157,078	187,321	1,181,038
<b>Cash and cash equivalents of newly consolidated subsidiaries</b> .....	1,898	498	14,271
<b>Cash and cash equivalents at end of year</b> .....	¥ 189,615	¥ 157,078	\$ 1,425,677

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2002 and 2001

### 1. Basis of Presenting the Consolidated Financial Statements

Dai Nippon Printing Co., Ltd. (hereinafter referred to as the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with accounting principles and practices generally accepted in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Ministry of Finance of Japan as required by the Securities and Exchange Law of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. Certain reclassifications have also been made in the 2001 financial statements to conform with current classifications. In addition, the notes to the consolidated financial statements include additional information which is also not required for disclosure under accounting principles and practices generally accepted in Japan.

### 2. Significant Accounting Policies

#### Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries. All significant intercompany accounts and intercompany transactions have been eliminated in consolidation.

The fiscal year-end of the consolidated subsidiaries is the same as that of the Company except for seventeen in 2002 and eight in 2001 subsidiaries whose fiscal years end December 31. Significant transactions between December 31 and March 31 are reflected in the consolidated financial statements.

Investments in non-consolidated subsidiaries are stated at cost and, for valuation of such investments, the equity method has not been applied since these investments are considered immaterial in the aggregate. However, investments are devalued if the decline in value is judged to be other than temporary.

Investments in 20% to 50% associated companies are accounted for by the equity method.

The differences between costs and underlying net assets at the date of investment in consolidated subsidiaries are included in other assets or other long-term liabilities and are amortized over a period not exceeding five years.

#### Translation of foreign currency accounts

Monetary assets and liabilities denominated in foreign currencies of the Company and its domestic subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rates prevailing during the year. The resulting translation gains (or losses) are included in other income (or expenses).

The translation of foreign currency financial statements of foreign consolidated subsidiaries into Japanese yen has been made for consolidation purposes in accordance with the translation method prescribed in the accounting standard for foreign currency transactions. The balance sheet accounts of the foreign consolidated subsidiaries are translated at the exchange rates in effect at the balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are presented as "foreign currency translation adjustments" which is shown as a separate component of stockholders' equity in the consolidated balance sheets.

#### Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturities that they present insignificant risk of changes in value because of changes in interest rates.

**Inventories**

Inventories are stated at cost which is determined substantially by the average method.

**Marketable securities and investment securities**

Effective April 1, 2001, the Company and its domestic subsidiaries adopted a new accounting standard for the marketable and investment securities, which requires reporting available-for-sale securities at fair value.

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and ii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity for 2002 and are carried at cost determined by the average method for 2001.

Non-marketable securities are stated at cost determined by the average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**Property, plant and equipment and depreciation**

Property, plant and equipment are carried at cost. Major renewals and additions are capitalized, while minor renewals, maintenance and repairs are charged to income when incurred. Interest expenses on capital expenditures during the construction stage are not capitalized.

Depreciation of property, plant and equipment is principally computed by the declining-balance method at rates based on estimated useful lives. However, depreciation of buildings acquired on or after April 1, 1998 is computed by the straight-line method.

The estimated useful lives for depreciation purposes range as follows:

Buildings	3 to 50 years
Machinery and equipment	2 to 13 years

Assets with an acquisition cost of ¥100,000 (\$752) or more per unit and less than ¥200,000 (\$1,504) per unit, acquired on or after April 1, 1998, are depreciated over three years on a straight-line basis, whereby one-third of such acquisition cost may be taken as depreciation expense each year.

**Intangible assets**

Intangible assets included in other assets are carried at cost less accumulated amortization calculated by the straight-line method over their estimated useful lives. Software development costs for internal use included in intangible assets are amortized by the straight-line method over 5 years.

**Liability for retirement benefits**

Effective April 1, 2000, the Company and several domestic significant consolidated subsidiaries applied a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation determined as of April 1, 2000 is being amortized over 5 years. The transitional obligation was a net amount after deducting the contributed securities to the employees' retirement benefits trust from the gross amount of transitional projected benefits obligation determined as of April 1, 2000.

**Research and development expenses**

Research and development expenses are charged to income as incurred.

**Accounting for leases**

Finance leases other than those, which are deemed to transfer the ownership of the leased assets to lessees, are accounted for in the same manner as operating leases under generally accepted accounting principles in Japan.

**Income taxes**

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Income taxes on undistributed earnings have been provided for foreign subsidiaries, but not for domestic companies, as such earnings, if distributed in the form of dividends, are not taxable under current Japanese tax laws.

**Derivatives and hedging activities**

The Company and certain consolidated subsidiaries use derivative financial instruments ("derivatives") for foreign currency forward contracts to manage their exposures to fluctuations in foreign exchange associated with certain accounts receivable and payable, including forecasted transactions, denominated in foreign currencies. The Company and its subsidiaries do not enter into derivatives contracts for speculative purposes.

While the trade accounts receivable and payable denominated in foreign currencies of the Company and domestic subsidiaries which are comprehensively covered by foreign currency forward contracts are translated at the exchange rate at the balance sheet date, such forward contracts are recognized as assets or liabilities and measured at fair value, and the related gains or losses are currently recorded in the statement of income.

The trade accounts receivable and payable denominated in foreign currencies of the Company and domestic subsidiaries which are individually covered by foreign currency forward contracts are translated at the contracted rates because such treatment is also allowed to be elected under the standard if the forward contracts qualify for hedge accounting.

The forward contracts for forecasted transactions such as export sales and import purchases are measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

**Net assets and income per common share**

Net assets per common share were computed based on the number of shares outstanding at March 31, 2002 and 2001, respectively.

Primary amounts of net income per share were computed on the average number of shares of common stock outstanding during each year. Fully diluted amounts of net income per share were based on the assumption that all convertible bonds were converted into common stock at the beginning of the year.

**3. Basis of Translating Financial Statements**

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles and practices generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥133=U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2002. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars.

**4. Cash and Cash Equivalents**

Cash and cash equivalents as of March 31, 2002 and 2001 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Cash and deposits (excluding time deposits with a maturity over three months).....	¥ 189,615	¥ 155,079	\$ 1,425,677
Other short-term investment .....	-	1,999	-
	<u>¥ 189,615</u>	<u>¥ 157,078</u>	<u>\$ 1,425,677</u>

**5. Marketable Securities and Investment Securities**

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities as of March 31, 2002 were as follows:

	Millions of yen			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Stocks .....	¥ 83,818	¥ 17,982	¥ 15,143	¥ 86,657
Others .....	252	-	102	150
Total .....	<u>¥ 84,070</u>	<u>¥ 17,982</u>	<u>¥ 15,245</u>	<u>¥ 86,807</u>

	Thousands of U.S. dollars (Note 3)			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Stocks .....	\$ 630,211	\$ 135,203	\$ 113,858	\$ 651,556
Others .....	1,894	-	766	1,128
Total .....	<u>\$ 632,105</u>	<u>\$ 135,203</u>	<u>\$ 114,624</u>	<u>\$ 652,684</u>

The proceeds from sales of available-for-sale securities for the year ended March 31, 2002 were ¥1,022 million (\$ 7,684 thousand). The gross realized gains on these sales for the year ended March 31, 2002 were ¥ 336 million (\$ 2,526 thousand) and the gross realized losses on those sales for the year ended March 31, 2002 were ¥771 million (\$ 5,797 thousand).

The following summarizes carrying amounts of securities with no fair value as of March 31, 2002:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	Held-to-maturity debt securities-	
Non-listed foreign securities .....	¥ 13,000	\$ 97,744
Others .....	¥ 2,182	\$ 16,406
Available-for-sale securities-		
Non-listed equity securities .....	¥ 22,093	\$ 166,113
Others .....	¥ 81	\$ 609

The redemption schedule for securities with maturities classified as held-to-maturity debt securities and other securities at March 31, 2002 is as follows:

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Corporate bonds .....	¥ 5	¥ 6	¥ -
Other bonds .....	3,160	11	12,000
	<u>¥ 3,165</u>	<u>¥ 17</u>	<u>¥ 12,000</u>

	Thousands of U.S. dollars (Note 3)		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Corporate bonds .....	\$ 38	\$ 45	\$ -
Other bonds .....	23,759	83	90,226
	<u>\$ 23,797</u>	<u>\$ 128</u>	<u>\$ 90,226</u>

**6. Inventories**

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Finished products .....	¥ 34,109	¥ 34,279	\$ 256,459
Work in process.....	28,907	35,812	217,346
Raw materials.....	13,385	15,840	100,639
	<u>¥ 76,401</u>	<u>¥ 85,931</u>	<u>\$ 574,444</u>

**7. Short-term Bank Loans and Long-term Debt**

Short-term bank loans at March 31, 2002 and 2001 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 3.74% per annum for 2002 and 3.50% per annum for 2001.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Conversion price	Millions of yen		Thousands of U.S. dollars (Note 3)
		2002	2001	2002
Unsecured convertible debentures				
1.5% due 2003 .....	¥ 2,027.00	¥ 19,181	¥ 19,181	\$ 144,218
1.8% due 2004 .....	2,677.40	29,663	29,663	223,030
Mortgage loans, maturing 2002-2005 .....		2,922	3,564	21,970
Unsecured loans, maturing 2002-2005 .....		1,923	2,033	14,459
		<u>53,689</u>	<u>54,441</u>	<u>403,677</u>
Current portion of long-term debt.....		(19,959)	(1,101)	(150,068)
		<u>¥ 33,730</u>	<u>¥ 53,340</u>	<u>\$ 253,609</u>

Mortgage loans were secured by property, plant and equipment amounting to ¥1,799 million (\$13,526 thousand) and ¥1,880 million at March 31, 2002 and 2001, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 1.01% to 3.30% per annum for 2002 and from 1.01% to 3.30% per annum for 2001, while interest rates on unsecured loans ranged from 1.68% to 4.12% per annum for 2002 and from 1.68% to 8.60% per annum for 2001.

The aggregate annual maturities of long-term debt after March 31, 2002 were as follows:

Year ending March 31	Thousands of U.S. dollars (Note 3)	
	Millions of yen	
2003 .....	¥ 19,959	\$ 150,068
2004 .....	33,570	252,406
2005 .....	160	1,203
	<u>¥ 53,689</u>	<u>\$ 403,677</u>

The above convertible debentures are currently convertible into approximately 20,541,783 shares of common stock.

## 8. Retirement Benefits

The Company and one of its domestic subsidiaries have contributory defined benefits retirement plans covering substantially all of their employees. Most of the other domestic subsidiaries have non-contributory defined benefits retirement plans. Upon retirement or termination of employment for reasons other than the cause of dismissal, employees are entitled to lump-sum payments based on the current rate of pay and length of services. Thirty percent of the retirement benefit liability of the Company and the total of such liabilities of one of the domestic subsidiaries are covered by the employees' pension fund which is established in accordance with the Welfare Pension Law.

The employees' pension fund also includes the portion representing the governmental social security welfare pension which is funded equally by employees and employers in accordance with the welfare pension regulations.

The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Projected benefits obligation .....	¥ 204,084	¥ 186,593	\$ 1,534,466
Fair value of plan assets .....	(101,799)	(106,494)	(765,406)
Unrecognized transitional obligation .....	(18,197)	(24,232)	(136,820)
Unrecognized actuarial loss .....	(44,026)	(23,285)	(331,023)
Unrecognized prior service cost .....	4,240	-	31,880
Prepaid pension cost .....	33	23	249
Net liability .....	<u>¥ 44,335</u>	<u>¥ 32,605</u>	<u>\$ 333,346</u>

The components of net periodic benefits costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Service cost .....	¥ 7,625	¥ 7,879	\$ 57,331
Interest cost .....	6,237	5,818	46,895
Expected return on plan assets .....	(3,169)	(3,799)	(23,827)
Amortization of transitional projected benefits obligation .....	6,065	6,058	45,601
Contribution to plan assets by marketable securities .....	-	15,432	-
Actuarial loss .....	4,134	-	31,083
Amortization of prior service cost .....	(848)	-	(6,376)
Net periodic benefits costs .....	<u>¥ 20,044</u>	<u>¥ 31,388</u>	<u>\$ 150,707</u>

Assumptions used for the years ended March 31, 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate .....	3.0%	3.5%
Expected rate of return on plan assets .....	3.2%	3.4%
Recognition period of actuarial gain/loss .....	11 years	11 years
Amortization period of transitional obligation .....	5 years	5 years
Amortization period of prior service cost .....	6 years	-

In September 2000, the Company contributed certain marketable securities with a fair value of ¥15,432 million to the employees' retirement benefits trust for the contributory pension plans and recognized a non-cash gain of ¥11,317 million. The securities held in this trust were qualified as plan assets.

## 9. Stockholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to capital surplus. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total capital surplus and legal reserve equals 25% of stated capital. The amount of total capital surplus and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the stockholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥23,300 million (\$ 175,188 thousand) and ¥22,590 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing stockholders without consideration as a stock split pursuant to a resolution of the Board of Directors.

Prior to October 1, 2001, the amount calculated by dividing the total amount of stockholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus amount of stated capital, capital surplus or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders' meeting.

The Code permits companies to transfer a portion of capital surplus and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the stockholders.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Cash dividends and appropriations to legal reserve charged to retained earnings during the years ended March 31, 2002 and 2001 represented dividends paid out during those periods and related appropriations to this reserve. The accompanying consolidated financial statements did not include the semi-annual dividend of ¥9.0 (\$0.07) per share, aggregating ¥6,834 million (\$51,383 thousand) and the related appropriation to legal reserve of the Company, which were approved at the general stockholders' meeting held in June 2002 with respect to the year ended March 31, 2002.

During the years ended March 31, 2002 and 2001, there were no issuance of common stock by the Company in connection with conversion of debentures.

### 10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2002 and 2001 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Trade receivables.....	¥ 5,747	¥ 5,479	\$ 43,211
Other current assets.....	269	441	2,023
Investment securities (stock).....	5,923	5,954	44,534
Long-term loans.....	5,451	4,255	40,985
Other investments.....	277	277	2,083
Trade payables.....	5,600	6,296	42,105
Accrued expenses.....	3,549	3,110	26,684

### 11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Transportation expenses.....	¥ 15,359	¥ 15,832	\$ 115,481
Provision for doubtful receivables.....	3,017	1,750	22,684
Salaries and allowances.....	42,974	42,087	323,113
Bonuses paid.....	8,974	9,703	67,474
Accrued bonuses.....	3,814	5,304	28,677
Provision for retirement benefits.....	6,412	3,815	48,211
Depreciation.....	11,514	11,658	86,571
Amortization of goodwill.....	-	55	-
Research and development expenses.....	18,449	19,865	138,714
Other.....	58,016	54,639	436,210
	<u>¥ 168,529</u>	<u>¥ 164,708</u>	<u>\$ 1,267,135</u>

Total research and development expenses (including manufacturing costs) amounted to ¥23,367 million (\$175,692 thousand) and ¥24,664 million for 2002 and 2001, respectively.

### 12. Other Income

The following types of income from non-consolidated subsidiaries and associated companies were included in other income.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Interest and dividend income.....	¥ 94	¥ 108	\$ 707
Leasing fees.....	1,665	1,431	12,519

### 13. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2002 and 2001, respectively.

The actual effective tax rate reflected in the accompanying consolidated statements of income differs from the normal effective statutory tax rate primarily due to the effect of permanently non-deductible expenses, current operating losses of subsidiaries and different tax rates applicable to foreign subsidiaries, etc.

Reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate was as follows:

	2002	2001
Normal effective statutory tax rate.....	42.0%	42.0%
Expenses not deductible for income tax purposes.....	2.3	0.9
(Utilization of ) or valuation allowance for operating losses of subsidiaries-net.....	(3.5)	7.4
Other.....	(1.3)	(0.7)
Actual effective tax rate.....	39.5%	49.6%

Net deferred tax assets and liabilities at March 31, 2002 and 2001, resulting from temporary differences between the carrying amounts and the tax bases of assets and liabilities, were reflected on the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Prepaid expenses and other current assets.....	¥ 7,603	¥ 9,048	\$ 57,165
Other assets.....	29,797	14,388	224,038
	<u>¥ 37,400</u>	<u>¥ 23,436</u>	<u>\$ 281,203</u>
Other long-term liabilities.....	¥ 162	¥ 67	\$ 1,218

Significant components of deferred tax assets at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Current:			
Enterprise tax payable.....	¥ -	¥ 1,573	\$ -
Excess provision for doubtful receivables.....	1,060	-	7,970
Loss on devaluation of inventories.....	2,217	2,731	16,669
Excess accrued expenses.....	2,460	2,601	18,496
Other.....	1,866	2,143	14,030
Total.....	<u>¥ 7,603</u>	<u>¥ 9,048</u>	<u>\$ 57,165</u>
Non-current:			
Excess provision for retirement benefits.....	¥ 16,493	¥ 12,048	\$ 124,008
Loss on devaluation of investment securities.....	13,099	1,791	98,489
Other.....	205	549	1,541
Total.....	<u>¥ 29,797</u>	<u>¥ 14,388</u>	<u>\$ 224,038</u>

**14. Leases**

Where finance leases do not transfer ownership of the leased property to the lessee during the lease terms, the leased property is not capitalized and the related lease expenses are charged to income in the period incurred, as per the statement issued by the Business Accounting Deliberation Council of Japan.

Pro forma information such as acquisition cost, accumulated depreciation and net book value of the leased properties for such finance lease purposes was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Acquisition cost .....	¥ 54,532	¥ 53,331	\$ 410,015
Accumulated depreciation .....	(33,524)	(31,108)	(252,060)
Net book value .....	<u>¥ 21,008</u>	<u>¥ 22,223</u>	<u>\$ 157,955</u>

Lease expenses on finance lease contracts without ownership-transfer amounted to ¥11,124 million (\$ 83,639 thousand) and ¥10,648 million for the years ended March 31, 2002 and 2001, respectively.

The amounts of outstanding future payments under finance leases due on March 31, 2002 and 2001, including the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Future lease payments:			
One year or less .....	¥ 9,475	¥ 9,237	\$ 71,241
More than one year .....	11,533	12,986	86,714
	<u>¥ 21,008</u>	<u>¥ 22,223</u>	<u>\$ 157,955</u>

The amounts of outstanding future payments under operating leases due on March 31, 2002 and 2001 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Future lease payments:			
One year or less .....	¥ 578	¥ 323	\$ 4,346
More than one year .....	955	665	7,180
	<u>¥ 1,533</u>	<u>¥ 988</u>	<u>\$ 11,526</u>

**15. Derivative Financial Instruments**

Nature of Derivative Financial Instruments:

The Company and certain consolidated subsidiaries enter into derivative financial instruments ("derivatives") for foreign currency forward contracts to hedge foreign exchange risks associated with certain accounts receivable and accounts payable, including forecasted transactions, denominated in foreign currencies. The Company and its subsidiaries do not hold derivatives for speculative purposes.

Derivatives are subject to market risks and credit risks. Because the counterparties to those derivatives are limited to major international financial institutions, the Company and its subsidiaries do not anticipate any losses arising from credit risks. The basic policies for the use of derivatives are established in the Company's internal regulations and the execution and control of derivatives are controlled by the Accounting Department.

Fair value of Derivative Financial Instruments:

The contracted amount and fair value of derivatives for foreign currency forward contracts at March 31, 2002 and 2001 were as follows:

2002	Millions of yen		
	Contracted amount	Fair value	Unrealized gain
<b>Receivables:</b>			
U.S.dollars .....	¥ 11,169	¥ 11,394	¥ 225
Euro .....	9	10	1
<b>Payables</b>			
U.S.dollars .....	(202)	(198)	4
	<u>¥ 10,976</u>	<u>¥ 11,206</u>	<u>¥ 230</u>

2002	Thousands of U.S. dollars (Note 3)		
	Contracted amount	Fair value	Unrealized gain
<b>Receivables:</b>			
U.S.dollars .....	\$ 83,977	\$ 85,669	\$ 1,692
Euro .....	68	75	7
<b>Payables</b>			
U.S.dollars .....	(1,519)	(1,489)	30
	<u>\$ 82,526</u>	<u>\$ 84,255</u>	<u>\$ 1,729</u>

2001	Millions of yen		
	Contracted amount	Fair value	Unrealized (gain)/loss
<b>Receivables:</b>			
U.S.dollars .....	¥ 12,254	¥ 13,074	¥ (820)
Deutsche mark .....	4	5	(1)
<b>Payables</b>			
U.S.dollars .....	(57)	(58)	1
	<u>¥ 12,201</u>	<u>¥ 13,021</u>	<u>¥ (820)</u>

Fair value was determined based on the foreign currency forward exchange market rates. Foreign currency forward contracts which qualified for hedge accounting for the years ended March 31, 2002 and 2001 and were assigned to the associated assets and liabilities or deferred until completion of the forecasted transactions were excluded from disclosure of the above fair value information.

**16. Contingent Liabilities**

The Company was guarantor of bank loans of an other company, amounting to approximately ¥108 million (\$812 thousand). It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of trade accounts receivable and to subsequently discount such notes at banks. At March 31, 2002 and 2001, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥1,686 million (\$12,677 thousand) and ¥1,690 million, respectively. Notes discounted were accounted for as sales.

## 17. Business Segment Information

### Industry segments:

The Company's primary business industries consist of printing and beverage operations.

The following tables present certain financial information, including net sales, costs and expenses, operating income, assets, depreciation and capital expenditures regarding the Company's industry segments at March 31, 2002 and 2001 and for the years then ended.

Millions of yen					
For 2002 :	Printing	Beverage	Total	Elimination	Consolidated
<b>Net sales:</b>					
Outside customers .....	¥ 1,238,835	¥ 73,099	¥ 1,311,934	¥ -	¥ 1,311,934
Inter-segment .....	549	-	549	(549)	-
Total .....	1,239,384	73,099	1,312,483	(549)	1,311,934
Costs and expenses .....	1,167,717	72,524	1,240,241	(549)	1,239,692
Operating income .....	¥ 71,667	¥ 575	¥ 72,242	¥ -	¥ 72,242
<b>Assets, depreciation and capital expenditures:</b>					
Assets .....	¥ 1,381,484	¥ 51,507	¥ 1,432,991	¥ (533)	¥ 1,432,458
Depreciation .....	¥ 91,136	¥ 3,734	¥ 94,870	¥ -	¥ 94,870
Capital expenditures .....	¥ 80,867	¥ 4,229	¥ 85,096	¥ -	¥ 85,096
Thousands of U.S. dollars (Note 3)					
For 2002 :	Printing	Beverage	Total	Elimination	Consolidated
<b>Net sales:</b>					
Outside customers .....	\$ 9,314,549	\$ 549,616	\$ 9,864,165	\$ -	\$ 9,864,165
Inter-segment .....	4,128	-	4,128	(4,128)	-
Total .....	9,318,677	549,616	9,868,293	(4,128)	9,864,165
Costs and expenses .....	8,779,827	545,293	9,325,120	(4,128)	9,320,992
Operating income .....	\$ 538,850	\$ 4,323	\$ 543,173	\$ -	\$ 543,173
<b>Assets, depreciation and capital expenditures:</b>					
Assets .....	\$ 10,387,098	\$ 387,271	\$ 10,774,369	\$ (4,008)	\$ 10,770,361
Depreciation .....	\$ 685,233	\$ 28,075	\$ 713,308	\$ -	\$ 713,308
Capital expenditures .....	\$ 608,023	\$ 31,797	\$ 639,820	\$ -	\$ 639,820
Millions of yen					
For 2001 :	Printing	Beverage	Total	Elimination	Consolidated
<b>Net sales:</b>					
Outside customers .....	¥ 1,268,415	¥ 73,620	¥ 1,342,035	¥ -	¥ 1,342,035
Inter-segment .....	592	-	592	(592)	-
Total .....	1,269,007	73,620	1,342,627	(592)	1,342,035
Costs and expenses .....	1,186,461	70,225	1,256,686	(592)	1,256,094
Operating income .....	¥ 82,546	¥ 3,395	¥ 85,941	¥ -	¥ 85,941
<b>Assets, depreciation and capital expenditures:</b>					
Assets .....	¥ 1,437,308	¥ 52,650	¥ 1,489,958	¥ (87)	¥ 1,489,871
Depreciation .....	¥ 90,611	¥ 3,701	¥ 94,312	¥ -	¥ 94,312
Capital expenditures .....	¥ 99,352	¥ 3,698	¥ 103,050	¥ -	¥ 103,050

### Information by geographic area:

Disclosure of information by geographic area was not required as domestic sales and assets exceeded 90% of consolidated sales and assets, respectively, before elimination, for all segments for the years ended March 31, 2002 and 2001.

### Overseas sales:

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 were as follows:

		Millions of yen		Thousands of U.S. dollars (Note 3)
		2002	2001	2002
Overseas sales	(a) .....	¥ 150,816	¥ 140,810	\$1,133,955
Consolidated net sales	(b) .....	1,311,934	1,342,035	9,864,165
Ratio	(a)/(b) .....	11.5%	10.5%	11.5%

## Report of Independent Certified Public Accountants

### To the Board of Directors of Dai Nippon Printing Co., Ltd.

We have audited the accompanying consolidated balance sheets (expressed in Japanese yen) of Dai Nippon Printing Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dai Nippon Printing Co., Ltd. and its consolidated subsidiaries at March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2, effective April 1, 2001, the consolidated financial statements have been prepared in accordance with new accounting standards for the valuation of available-for-sale securities.

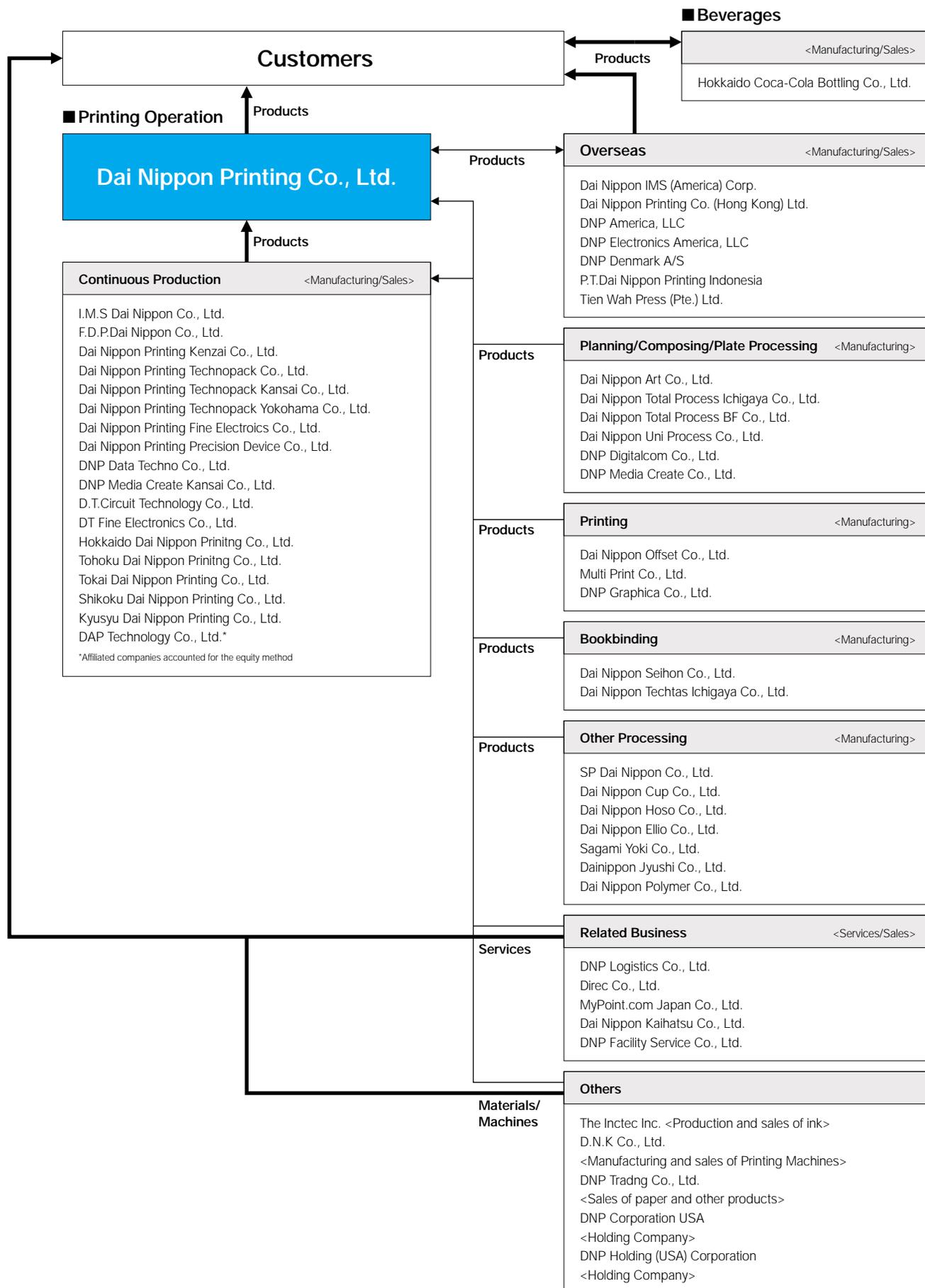
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Tokyo, Japan  
June 27, 2002



MEIJI AUDIT CORPORATION

# DNP's Business Flow



# Major Subsidiaries and Affiliates

## Printing

		Capital (Millions of yen)	Ownership ratio (%)
Dai Nippon Art Co., Ltd.	Production of drafts for photoengraving	80	100.0
DNP Graphica Co., Ltd.	Printing and bookbinding	100	100.0
Dai Nippon Cup Co., Ltd.	Molding and processing of paper containers	80	100.0
Dai Nippon Ello Co., Ltd.	Printing and processing of steel and other metal plates	300	50.0
Dai Nippon Hoso Co., Ltd.	Filling and processing of packages	80	100.0
DNP Information Systems Co., Ltd.*	Planning, designing, development, management, and operations of information systems	100	100.0
Dainippon Jushi Co., Ltd.	Production and processing of composite resins	380	100.0
Dai Nippon Kaihatsu Co., Ltd.	Real estate sales	250	100.0
Dai Nippon LSI Design Co., Ltd.*	Logical circuit designs for ICs and LSIs and layout designs	100	100.0
DNP Data Techno Co., Ltd.	Production and sales of plastic cards with magnetic stripes, IC chips and others	100	100.0
Dai Nippon Offset Co., Ltd.	Offset printing	200	100.0
Dai Nippon Polymer Co., Ltd.	Molding, processing and printing of plastic containers	100	100.0
Dai Nippon Printing Accounting System Co., Ltd.*	Accounting and consulting services	30	100.0
Dai Nippon Printing Fine Electronics Co., Ltd.	Production of high-precision components	300	100.0
Dai Nippon Printing Precision Device Co., Ltd.	Production of high-precision components	300	100.0
DT Fine Electronics Co., Ltd.	Production and sales of semiconductor related components	490	65.0
D.T.Circuit Technology Co., Ltd.	Development and production of semiconductor related components	1,000	51.0
F.D.P. Dai Nippon Co., Ltd.	Production of display related components	100	100.0
DAP Technology Co., Ltd.	Production and sales of PDP back plates	3,000	50.0
DNP Corporate History Center Co., Ltd.*	Planning and production of corporate history archives	50	100.0
Dai Nippon Printing Technopack Co., Ltd.	Photoengraving, printing and binding	300	100.0
Dai Nippon Printing Technopack Kansai Co., Ltd.	Photoengraving, printing and binding	200	100.0
Dai Nippon Printing Technopack Yokohama Co., Ltd.	Photoengraving, printing and binding	200	100.0
Dai Nippon Seihon Co., Ltd.	Bookbinding	200	100.0
DNP Facility Service Co., Ltd.	Management and operations of buildings and welfare facilities	100	100.0
DNP Trading Co., Ltd.	Sales of paper and other products	100	94.3
Dai Nippon Techtas Ichigaya Co., Ltd.	Bookbinding	80	100.0
Dai Nippon Total Process BF Co., Ltd.	Photoengraving and machine plate activities	80	100.0
Dai Nippon Total Process Ichigaya Co., Ltd.	Photoengraving	100	100.0
Dai Nippon Uni Process Co., Ltd.	Photoengraving	80	100.0
DNP Logistics Co., Ltd.	Packaging, shipping operations and warehouse management	626	100.0
Direc Co., Ltd.	Sales of publishing and educational equipment	96	55.0
D.N.K. Co., Ltd.	Manufacturing and sales of printing equipment and machine tools	100	100.0
DNP AV Center Co., Ltd.*	Planning, production, editing and sales of movies	100	100.0
DNP Digitalcom Co., Ltd.	Planning and production of digital media contents	100	100.0
DNP Human Service Co., Ltd.*	Planning, management and data processing activities related to personnel plans	30	100.0
DNP Media Create Co., Ltd.	Planning, production, photoengraving and machine plate activities	100	100.0
DNP Media Create Kansai Co., Ltd.	Planning, production, photoengraving and machine plate activities	200	100.0
DNP Space Design Co., Ltd.*	Planning, design and creation of shops, exhibition booths and other commercial spaces	100	100.0

## Printing

		Capital (Millions of yen)	Ownership ratio (%)
DNP Techno Research Co., Ltd.*	Studies related to patents and the preparation of contracts	20	100.0
MyPoint.com Japan Co., Ltd.	Marketing system planning and operations for Internet advertisements	940	85.2
Dai Nippon Printing Kenzai Co., Ltd.	Photoengraving, printing and processing	200	100.0
I.M.S. Dai Nippon Co., Ltd.	Printing of TTRs and ST materials	100	100.0
Kyoiku Shuppan Co., Ltd.	Publishing	60	48.3
Hokkaido Dai Nippon Printing Co., Ltd.	Photoengraving, printing, bookbinding and production related to packaging	93	97.0
Tohoku Dai Nippon Printing Co., Ltd.	Photoengraving, printing, bookbinding and production related to packaging	82	99.7
Tokai Dai Nippon Printing Co., Ltd.	Photoengraving, printing, bookbinding and production related to packaging	120	100.0
Kyushu Dai Nippon Printing Co., Ltd.	Photoengraving, printing, bookbinding and production related to packaging	380	100.0
Shikoku Dai Nippon Printing Co., Ltd.	Photoengraving, printing and production related to packaging	50	97.0
Multi Print Co., Ltd.	Photoengraving, printing and bookbinding	100	100.0
Sagami Yoki Co., Ltd.	Production of laminated tubes	200	90.0
Shiobara Green Village Co., Ltd.*	Management of leisure facilities	200	99.6
SP Dai Nippon Co., Ltd.	Planning and production of promotional materials	80	100.0
NexantiS Corporation*	Sales of security related software and products	25	100.0
The Inctec Inc.	Production and sales of ink, varnish, pigments and dyes	2,000	59.8
Trans Art Inc.*	Procurement and sales of art objects	50	100.0
DNP Archives.com Co., Ltd.*	Planning, producing and sales of art objects and contents	200	100.0
Uzumine Country Club Co., Ltd.*	Management of golf courses	33	88.8
Dai Nippon Printing Co. (Hong Kong) Ltd.	Photoengraving, printing and bookbinding	(HK\$1,000) 225,000	(2.4) 99.5
DNP America, LLC	Sales of publications and precision electronic components, decorative interiors	(US\$1,000) 100	(100.0) 100.0
DNP Electronics America, LLC.	Manufacturing and sales of precision electronic components	(US\$1,000) 15,000	(100.0) 100.0
DNP Denmark A/S	Manufacturing and sales of precision electronic components	(DKr1,000) 135,000	100.0
P.T. Dai Nippon Printing Indonesia	Photoengraving, printing, bookbinding and production related to packaging and sales	(US\$1,000) 26,000	51.0
Tien Wah Press (Pte.) Ltd.	Photoengraving, printing and bookbinding	(S\$1,000) 4,140	(6.0) 100.0
DNP Corporation USA	Holding company	(US\$1,000) 32,067	(13.8) 100.0
DNP Holding (USA) Corporation	Holding company	(US\$1,000) 100	(100.0) 100.0
Dai Nippon IMS (America) Corp.	Processing of TTRs	(US\$1,000) 20,000	(100.0) 100.0

## Beverages

Hokkaido Coca-Cola Bottling Co., Ltd.	Manufacturing and sales of soft drinks	2,935	(3.2) 58.6
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\*Non-consolidated subsidiary or affiliate

# Investor Information

(as of March 31, 2002)

## Dai Nippon Printing Co., Ltd.

### Head Office:

1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku,  
Tokyo 162-8001, Japan

### Established:

1876

### Number of Employees:

34,868

### Paid-in Capital:

¥114,464 million

### Number of Common Stocks:

Authorized 1,200,000,000 shares  
Issued 759,480,693 shares

### Number of Shareholders:

(more than 1,000 shares)

27,930

### Major Shareholders:

The Dai-ichi Mutual Life Insurance Co.	5.07%
The Industrial Bank of Japan, Limited	4.72
Japan Trustee Services Bank, Ltd.	4.68
The Fuji Bank, Limited	4.33
The Mitsubishi Trust & Banking Corporation	3.37
Nippon Life Insurance Co.	3.19
UFJ Trust Bank Limited	1.99
Sumitomo Mitsui Banking Corporation	1.79
Morgan Grenfell and Co., Ltd.	1.44
Mitsui Asset Trust and Banking Company, Limited	1.42

### Stock Exchange Listings:

Tokyo, Osaka, Nagoya, Luxembourg, Amsterdam

### Transfer Agent:

Mizuho Trust & Banking Co., Ltd.  
5-1, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-8240, Japan  
Phone: +813-3240-7000

### Annual Meeting of Shareholders:

The annual meeting of shareholders of DNP is normally held  
in June each year in Tokyo, Japan

### Investor Relations:

Dai Nippon Printing Co., Ltd.  
Press and Public Relations  
1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku,  
Tokyo 162-8001, Japan  
Phone: +813-5225-8220  
Facsimile: +813-5225-8239  
E-mail: info@mail.dnp.co.jp

### Web Site Address:

<http://www.dnp.co.jp/>

### Common Stock Price Range (Tokyo Stock Exchange)

(For the years ended March 31, 2000, 2001 and 2002)

	2000		2001		2002	
	High	Low	High	Low	High	Low
1st Quarter	¥2,030	¥1,765	¥1,970	¥1,690	¥1,730	¥1,420
2nd Quarter	2,130	1,790	1,935	1,605	1,503	1,090
3rd Quarter	2,120	1,630	1,750	1,535	1,412	1,147
4th Quarter	1,920	1,586	1,731	1,315	1,569	1,154



