DNP

ANNUAL REPORT

2001

Year ended March 31, 2001

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 this 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, 58 sales offices and 33 plants in major cities, as well as 14 sales offices and seven 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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Consolidated Financial Highlights

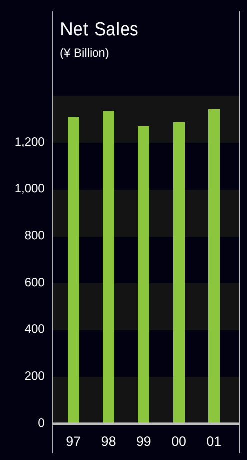
Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries

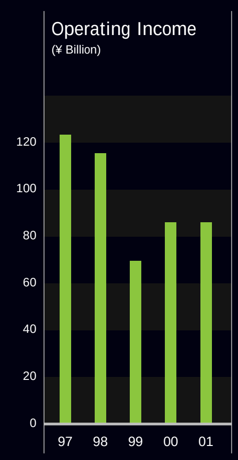
Years ended March 31, 2001 and 2000

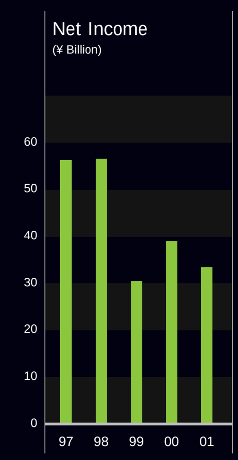
	Yen in millions except per share amounts		Dollars in thousands except per share amounts	% change
	2001	2000	**2001**	2001/2000
FOR THE YEAR				
Net sales	**¥ 1,342,035**	¥ 1,286,703	**$ 10,822,863**	4.3 %
Operating income	**85,941**	85,886	**693,073**	0.1
Income before income taxes	**69,116**	79,199	**557,387**	-12.7
Net income	**33,409**	39,034	**269,428**	-14.4
Per share data:				
Net income				
Primary	**¥ 43.99**	¥ 51.40	**$ 0.35**	-14.4 %
Fully diluted	**43.45**	50.47	**0.35**	-13.9
Cash dividends	**18.00**	18.00	**0.15**	0.0
AT YEAR-END				
Stockholders' equity	**¥ 939,441**	¥ 916,253	**$ 7,576,138**	2.5 %
Total assets	**1,489,871**	1,442,307	**12,015,089**	3.3

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥124=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2001.
2. Following the adoption of a new accounting standard effective April 1, 2000, foreign currency translation adjustments were made in stockholders' equity; for comparison purposes, such adjustments were also made to the figures for 2000.







PRESIDENT'S MESSAGE TO SHAREHOLDERS

In October, your company will be marking its 125th year of being in business. That, admittedly, is a remarkable feat in itself. As we report to you our performance for the fiscal year ended March 31, 2001, however, you will see that our remarkable achievements do not stop there. Our results not only show how Dai Nippon Printing Corporation is expanding, but also paint a clear picture of just why we are still growing strong in the 21st century, despite a myriad of adversities that faced us during the many years.

To be sure, the economic situation this fiscal year was certainly not easy. The Japanese economy continued to stagnate due to slow consumer spending and a decline in private capital investments. In addition, the U.S. economy also began to slow down in the latter half of the fiscal year with more signs of an economic recession. In the printing industry, the climate continued to be difficult with dropping unit prices and decreasing demand.

DNP, however, was able to increase its consolidated net sales by ¥55.3 billion, or 4.3%, over the previous year to ¥1,342 billion, while also increasing its operating income by 0.1% over the previous year to ¥85.9 billion yen. This was due to our expertise and experience founded on our printing technology which was provided solutions for as many as 30,000 clients over the decades. Details of our successful strategies follow.

Yoshitoshi Kitajima

Chairman of the Board
President and Chief Executive Officer

Our Growth in the Printing Field

Despite the belief that the printing industry is a mature industry with little room for growth, our printing operations continued to expand steadily, led by commercial printing and packaging products.

We attribute our increased sales in commercial printing – a significant 8% over the previous fiscal year – to our aggressive efforts in proposing solutions for our clients. Especially effective in differentiating us from the competition were our proposals involving new media such as the Internet. Sales were strong to clients in the communications industry, which saw a dramatic increase in the number of advertisements for mobile phones, and in the financial and insurance industries in which companies reorganized and integrated. We received a steady flow of orders for sales-promotion materials from both industries. One major order was for our Information Processing Service to handle direct-mail notices regarding the May introduction of MyLine, a service for Japanese consumers to select telephone companies.

In our packaging business, we focused on developing environmentally friendly products and achieved close to a 5% increase in sales. Again, this put us in a league of our own among packaging companies because the food industry, for which the packaging is used, was in a slump due to slow consumer spending.

The packaging industry is traditionally made up of manufacturers specializing in glass bottles, Styrofoam containers, cans and other containers. Although such manufacturers hold large shares of the market, we believe we can expand our share by being quick to respond to the demands of society and by developing and providing consumer-oriented products using DNP's superb technologies.

One such example is the paper cartons that many *sake* manufacturers are now using in place of glass bottles. The traditional glass bottles were good containers, but too heavy and space-consuming to be cost-effective in distribution. Proposals to use paper cartons were accepted when it was made clear that they reduced distribution costs by being light and compact, in addition to having less of an impact on the environment by being recyclable.

Given Japan's decline in population, aging society and low birthrate, we do not believe that the packaging industry, which mostly involves food products, will expand in the future. Packaging, however, is closely involved in our lives. It is a steady business that will always exist as long as people continue with their daily lives. We firmly believe that we can grow in this area by developing and offering products and services that meet the needs of society and people. Today, this means creating products out of concern for the environment. We already made it happen with the glass bottles. We are currently promoting a switchover from cans and Styrofoam containers to paper containers.

PRESIDENT'S MESSAGE TO SHAREHOLDERS
Dai Nippon Printing Co., Ltd. Annual Report 2001

Our Growth in the Electronics Field

Sales of our electronic products jumped by about 10% over the previous fiscal year. Especially strong were sales of photomasks and color filters.

So successful were our photomask operations that we expanded our share of the worldwide market yet again, remaining the solid in the manufacture of photomasks. The 30% sales increase over the previous year was achieved despite the global slowdown in the latter half of the fiscal year in the semiconductor industry, our client industry. What separated us from other photomask manufacturers who were badly affected by the recession was not only the steady orders we secured last year from Hitachi and Toshiba, but also the increase in the number of orders for our high value-added, cutting-edge products. The results of our superior technology came in the form of increased sales when our photomasks met the world's demand for highly advanced masks.

In our color filter operation, our foresight in building a new plant in our Mihara Plant in Hiroshima paid off as price competition in the liquid crystal display market intensified. With our monthly production capacity improving by about 60% to 1.3 million units in February 2001, we increased our sales by about 20% over the previous year and were able to make a profit despite falling prices.

We plan to further expand our color filter production capacity with a production system completed in Taiwan in July 2001. In anticipation of a color-filter demand in Taiwan, we have licensed SinTek, a Taiwanese corporation, to supply us with 500,000 OEM units a month. This will bring DNP's production capacity to a total of 1.8 million units a month, the most in the color filter industry.

Color filters, even through a maturing industry, are expected to grow in sales for the short term and further increase in demand in the future. Our plan is to increase the ratio of high value-added products such as spacers with pillars and color filters for large monitors, which are expected to grow significantly in sales. We also have plans for plasma display panels (PDPs), whose usage is currently spreading. By joining forces with Asahi Glass Co., Ltd., which is the leading manufacturer of glass products for use in PDPs, we will establish DAP Technology Co., Ltd. to supply back plates in time for the emergence of a full-scale PDP market. We believe Asahi Glass's expertise and our manufacturing technology are guaranteed to more than double the joint venture's competitiveness. Another promising product currently in the works is an organic electroluminescent (EL) display, which has a future as a flat display. Using DNP's printing technology, we have established a means to manufacture a paper-like full-color display. Our organic EL display is focused on as it presents a great potential for growth.

Meanwhile, sales of our leading electronic product, the shadowmask, have decreased by about 10% compared to the previous year, affected by production adjustments following the decline of personal computer sales, as well as by the increasing popularity of the flat-panel display for the computer. We have determined that the shadowmask is already at a point in its electronic-product lifecycle where its strategy must be reconsidered. Now that the demand for shadowmasks for use in personal computers is declining, we will target them for use in consumer digital TVs and flat TVs. The objective of our new strategy is to compensate for the decrease in sales volume. We also aim to increase our competitiveness in the field of displays by allocating our management resources to the new products such as the aforementioned color filters.

We therefore have the promising products for every phase in a product's lifecycle. No matter what the shape of future displays is, we will be well-positioned to supply the essential parts for the product.

Our Vision for the 21st Century

In today's rapidly changing world, it is becoming more and more difficult to accurately predict the course of our society. Our prediction, however, is that the advancement in information technology will put our society in the 21st century in an "Emergent Evolution." We define a society undergoing an emergent evolution as a society in which a diversity of people with different values accept and stimulate each other to create new values.

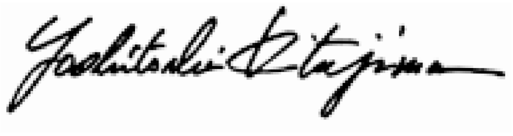
In a society undergoing an emergent evolution, companies are also expected to go through an emergent evolution and generate a diversity of values. To do so, companies will focus their management resources on their strong areas and even create ties with other companies with similar strengths to expedite business development and to gain a competitive edge.

Such a movement by companies will generate new issues for which the companies will have to find solutions. This, we believe, will provide us with a tremendous business opportunity: We have always been the solutions expert, offering measures that we have fostered and developed through our printing business.

All of our now diversified operations – from printing paper to manufacturing packaging products, decorative materials and electronic products – sprang from our printing technology and its applications and development. A good example is our early involvement with information technology. Beginning with our computerized typesetting system, our experience with new media, including the Internet, dates back 30 years. By ensuring deeply rooted growth in the printing industry, we have evolved into a corporation with a solid management foundation unparalleled in the world. This is because the application possibilities for our printing technology are endless.

DNP is a rare corporation that excels both in printing technology and information technology. We are a company that can provide a diversity of solutions by organically combining printing technology fostered through many years of experience and information technology that we developed in anticipation of the digital age. Our aim is to be a company that offers solutions to help society undergo an emergent evolution.

In celebrating the 125th anniversary of the founding of DNP, we are currently focusing on a new vision for the 21st century. One thing, however, is clear: We will evolve to be fit for the 21st century, determined to continue in our steady growth.



Yoshitoshi Kitajima

Chairman of the Board
President and Chief Executive Officer

DNP HISTORY

DNP's history goes back 125 years as Shueisha, the company that first printed the Japanese translation of "Self-Help," a best-selling English book that served as a guidebook for many young Japanese as Japan opened itself to the West. Since then, DNP has applied its advanced printing technologies and intellectual infrastructures to expand printing. Diversifying into many fields has won DNP its position as the world's leading comprehensive printing company, which includes a role as a supplier of many fine electronic components.

1876
Shueisha, DNP's forerunner, is founded.

1882
Begins manufacturing and sales of type.

1894
Establishes as a corporation following the commercial law revision.

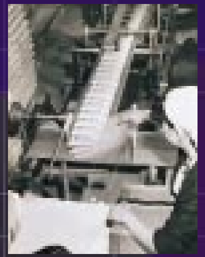
1928
Begins the first gravure printing in Japan.

1932
Announces a revolutionary offset printing technology, Neo Tone.

1935
Merges with Nisshin Printing and changes company name to Dai Nippon Printing.

1946
Becomes the first printing company to establish a research center.

1949
Is listed on the Tokyo Stock Exchange.



1951
Begins packaging operations to realize individual product packaging in anticipation of the distribution revolution.

1958
Succeeds in test-manufacturing Japan's first shadowmasks for color TVs.

1968
Establishes Creative Design Center, a planning division.

1973
Becomes the world's No.1 comprehensive printing company in sales.

1983
Develops smart cards.

1985
Develops the world's first electronic publication software, a trilingual "Dictionary of Science" on CD-ROM, with Sanshu-sha Co., Ltd.

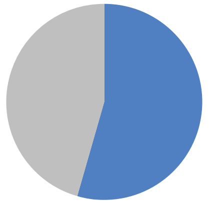
1991
Sales exceed ¥1 trillion.

1995
Establishes Media Galaxy, an experimental Web site for Internet operations.

DNP'S PRINTING OPERATIONS AT A GLANCE

Information Media Division

Sales*:	**¥635.9 billion**
Change*:	(+3.8%)
% of net sales*:	**54.7%**



Sales increased 3.8% for the division overall through operating activities centered on total solution businesses as promoted by DNP. Major factors were increases in commercial printing products, including sales promotional materials such as POP (point of purchase) and premiums, pamphlets and flyers.

On the other hand, sales from books and publications decreased overall, affected by the prolonged slump in the publishing industry, now in its fourth year of decreased sales.

While IPS (information processing service) business, as well as share-certificate printing and personalized mail, had strong sales, sales of office-equipment-related products and credit cards decreased, resulting in decreased income from business forms overall.

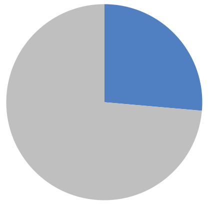
Books and Magazines
Books, magazines, dictionaries, textbooks, graphic collections, commemorative books and other publications

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 Service

Lifestyle Products Division

Sales*:	**¥307.8 billion**
Change*:	(+2.9%)
% of net sales*:	**26.5%**



Despite sales of paper cups for snacks decreasing, sales of paper-container-related services, large-scale sterile beverage filling systems for PET bottles, film packaging and liquid paper container for beverages, were strong, resulting in increased income for the packaging business.

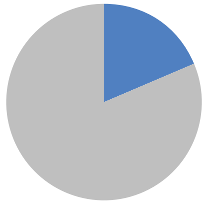
On the other hand, reflecting the 1.7% decline in domestic housing start from the previous year, sales of decorative materials decreased despite DNP's efforts to meet housing materials' rapid switchover into environmentally friendly products.

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

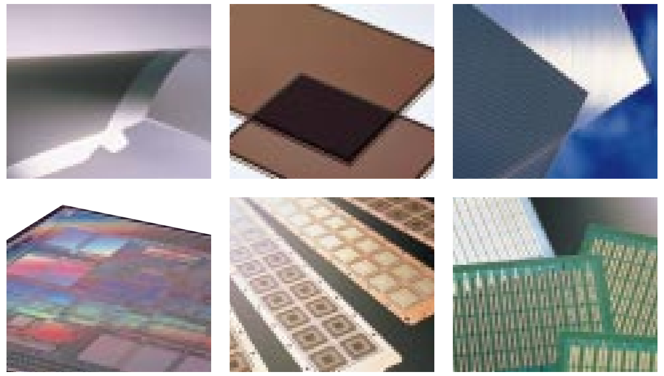
Sales*:	**¥218.5 billion**
Change*:	(+8.4%)
% of net sales*:	**18.8%**



Overall sales in this division remained strong with sales of single units constituting 18.8%, up from the previous year's 18.1%, despite a decline in the sales volume towards the end of the fiscal year, affected by some product inventory adjustments.

Significant sales increase among electronic components included that of color filters, projection screens and photomasks, while sales decreased for lead frames and shadowmasks.

Sales of information media supplies increased overall with ink ribbons for color printers increasing in sales for ID photos, although there was a slight decrease in the sales of ink ribbons for plain-paper facsimiles.



Electronic Components
Shadowmasks, color filters for LCDs, rear-projection television screens, 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

INFORMATION MEDIA

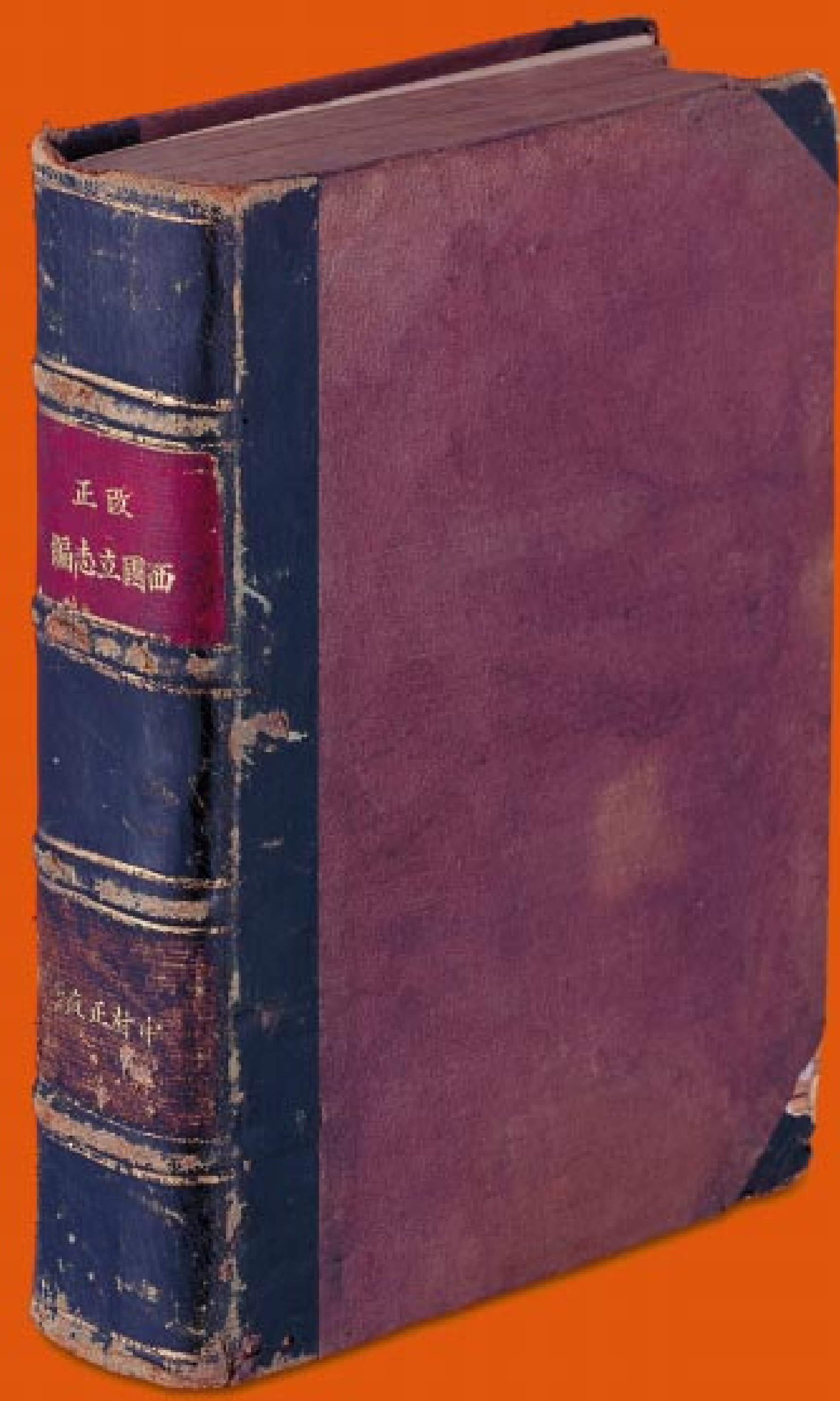
Business for Civilization In 1868, when the Shogunate Government of Edo ended its history, its national isolation policy that began in 1639 also ended. The era was Meiji, when Japan opened its doors to a gush of modern and Western thoughts, cultures and social systems. DNP was founded in the ninth year of such a chaotic era to help to distribute information more efficiently in an age of civilization and enlightenment.

At the time, Japan's ambitious, young men who were the pillars of society were desperately seeking direction. They were brimming with energy, yet lost in confusion. Seeing that, Masanao Nakamura, a former shogunate vassal who had studied in London, translated England's best-selling book, "SELF HELP" by Samuel Smiles, into Japanese. Published as "A Story of a Self-Made Western Nation," the book became an instant hit among Japan's young, lost souls, whose hunger for guidance was finally satisfied. The book, which went down in publishing history as a classic, was printed and bound by DNP.

In publishing this book, Nakamura asked to use only materials made in Japan, saying, "Japan has no hope of developing if she must always rely on imported materials. This book for a self-made nation will be published using only domestic materials." Moved by his determination, DNP, still in its infancy, took up the challenging task of making Japan's first paperboard for use in books, at a time when Japan's main printing method was still woodblock printing. Needless to say, no raw materials for such paperboard was readily available in Japan. The experiment was daunting. In the end, however, DNP succeeded in binding "A Story of a Self-Made Western Nation," revised with the first paperboard made in Japan.

Today, the information media are developing at an unprecedented rate, from books and newspapers to CD-ROM, satellite broadcasting, the Internet and mobile phones. It is information that helps maintain civilization, while technology promotes its development. Throughout its history, however, DNP's public mission remains unchanged: to distribute information people want to convey, using the latest technology.

- 1877 Prints "Revised SELF HELP," revised and published by Masanao Nakamura. The book becomes a best seller.
- 1882 Begins manufacturing and sales of type.
- 1925 Introduces a high-speed rotary press to accommodate orders for "King," a monthly magazine with a phenomenal circulation at the time.
- 1928 Begins Japan's first full-scale primary-color gravure printing.
- 1946 Begins printing ¥1, ¥10 and ¥100 bills upon appointment by the Ministry of Finance.
- 1970 Develops a bankcard with a magnetic strip.
- 1972 Puts a computerized typesetting system to practical use, taking the first step toward digitization.
- 1985 Jointly develops the world's first CD-ROM dictionary.
- 1995 Begins Media Galaxy, an experimental Web site for Internet operations.



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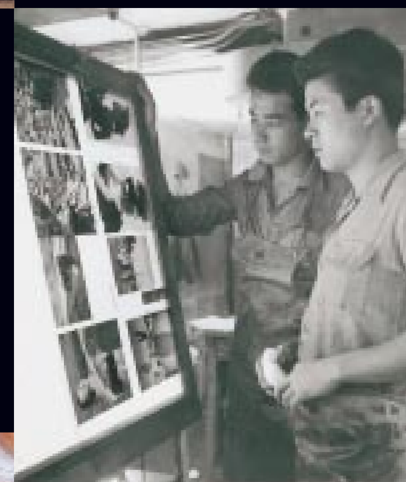

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DNP does not just manufacture them. DNP's strength is in its world's most-advanced, ITSEC E6-compatible security management expertise, which includes developing OS and applications

In March 2001, DNP started delivery of approximately 40,000 32bit CPU Java employee ID cards to NEC-Sumitomo VISA Partnership. The newly developed smart card employee ID operates on the Java Card Technology platform. The smart card employee ID is the first card in Japan to integrate Java Card Technology with a 32bit CPU IC chip (manufactured by NEC). Superior processing capacity and sufficient nonvolatile 32KB memory (EEPROM) makes it possible to add or delete applications after the card is issued. Furthermore, DNP Standard-9 compatible applets, conforming to JICSAP Version 1.1 specifications, are pre-installed in a masked ROM, enabling PKI application transmissions. Like traditional ID cards, NEC's employees are able to use the smart cards for establishing access or cashless payments to corporate cafeterias and stores. Moreover, NEC's development achieves the secure storing of electronic certificates and private keys for each employee, and trustworthy personal verification on network environments. This function allows employees to access the network from any network PC, while preventing access by non-designated personnel. The card also can be used as a Sumitomo VISA credit card. As the only company in Japan to provide MULTOS, the multi-application operating system card, Java Card, and Windows for Smart Cards solutions, DNP will continue to aggressively develop smart card solutions for a wide range of vertical markets.

In September 2000, DNP and Microsoft Co., Ltd. concluded a licensing agreement for the production and supplying of Microsoft® Windows® for Smart Cards. This licensing agreement for the production and issuance of Windows for Smart Cards was the first of its kind in Japan. DNP will begin production of Windows for Smart Cards, and provide various smart card security solutions based on Microsoft's technology. Microsoft will provide DNP with the latest information and technical support, aiming to develop next-generation security system solutions using Windows for Smart Cards and Windows 2000. The security systems also will be applied to standardizing personal authentication in next-generation cellular telephones.

In June 2000, DNP announced that it had become the first company in Japan to develop a contactless smart card embedded with a data display panel. The card was developed by utilizing several technologies: The magnetic capsuling method (DNP Product: "I-messe®Card") was incorporated in the data display panels, while the contactless smart mechanism adapts the rapidly growing Mifare technology (ISO14443 Type A Standard; 1 KB data capacity). With the new cards, DNP was successful in developing an extremely accurate embedding process stabilizing both functions and enabling the production of a card size conforming to ISO standards.

In July 2000, DNP and Hitachi, Ltd. announced the co-development and sales of "MultiPockets," a point-of-service software for "MULTOS," multi-functional smart card software. This software will greatly reduce the processing time of smart card-based point-of-service systems at stores. Traditionally, handling smart cards at the POS entailed information management and store transactions that were conducted online through a central processing center of the card-issuing company. The newly developed "MultiPockets" enables off-line authentication, and manages an individual's points by data exchange between the in-store terminal and the user's smart card. The software also includes a "pocket function" capable of housing many points services, and a "record file function" that automatically sets up the individual identification.

In September 2000, DNP announced the development of a contactless ID wristwatch. The system incorporates a contactless data correspondence function into a digital wristwatch, in which personal ID recognition or data reading and rewriting is possible by holding the watch over an exclusive reader/writer. Contactless wristwatch ID systems have been used for ski lift tickets, but DNP's newly developed contactless system is differentiated by the data display capabilities that utilizes the liquid crystal display panel. Its ability to display a balance makes the system well suited for cashless settlements in recreational facilities.

Also in September 2000, DNP and Nippon Avionics Co., Ltd. announced the co-development of the first proximity-type contactless smart card conforming to ISO/IEC 15693. Unlike the proximity smart cards conforming to ISO/IEC 14443 Type A, the newly developed card has the advantage of a longer functional distance, and is beginning to gain nationwide popularity. DNP also announced it will provide three PC software programs that increase efficiency in smart card systems development: Smart Card Service Provider for Standard-9, Multi-purpose Smart Card Driver for PC/SC Reader/Writer, and PKCS#11 Driver for PC/SC Reader/Writer.

Beginning in September, DNP began providing Windows 95/98/NT/2000 compatible software, for value, to SI (System Integrators) along with organizations planning smart cards implementation. The newly developed driver software, complying to PC/SC (Personal Computer/ Smart Card) specifications, enables the execution of smart card functions from a PC terminal, and is the de facto standard for smart card-integrated personal computer systems.

In November 2000, DNP added international-credit-card and customer-loyalty-card functions to its display-capable card, making the card also environmentally friendly, using PET-G as a base material. Kyushu Matsushita Electric. Co., Ltd. developed a new reader/writer to treat the card. The card and reader/writer are being supplied to AEON Credit Service Co., Ltd. which plans to use them at all the domestic stores of The Body Shop, a natural cosmetics store that is part of the AEON group.

In March 2001, DNP announced the finalization of a licensing agreement with Sony Corp. to start manufacturing Sony contactless smart cards for October delivery. In conjunction, DNP and Sony Finance International, Inc. are cooperating to examine application developments for the new smart card.

Developing security solutions using smart cards

In March 2001, DNP developed smart card driver software to enhance network security in a fight against cyber terrorism. The Windows-operated smart card driver software provides encryption functions, such as public key pair generation, key management, digital signature creation, hashing, and encoding/decoding. The driver software launches encryption functions embedded in DNP's original, high-function smart card DNP Standard-9, and is compatible with Windows 95 OSR 2.1, 98, NT, 2000 and other environments. Swift countermeasures against cyber terrorism are imperative for corporate networks; security measures incorporated into Windows 2000 and utilizing encryption functions on a server-client structure have proven to be promising countermeasures. Using DNP Standard-9 and the newly developed driver software further strengthens the network security of Windows 2000.

In October 2000, DNP and Matsushita Graphic Communication Systems Inc. announced the co-development of a smart card security system supporting FreeBSD. The new security system produces and stores both public and private keys directly onto a Standard-9 IC card via a PKCS#11 Driver, a control program for public keys. Traditionally, these keys were written and stored in devices such as PCs, making it difficult to maintain security measures for public key theft or falsification. Moreover, the system is compatible with various authentication security software used with Internet browsers or networked electronic appliances. Expected uses of the system include personal authentication for digital shopping via mail over the Internet and BS digital TV, user access for copy machines and printers, and Internet telephones applications.

In September 2000, DNP formed a partnership with Baltimore Technologies Japan Co., Ltd. and Mitsui & Co., Ltd. in the PKI (Public Key Infrastructure) business field. Baltimore Technologies manages the largest CA (certificate authority) in Japan, and has various accomplishments in this field including the development and sales of UniCERT, private CA software. Mitsui adds its international success in IT accomplishments within e-marketplaces, e-commerce and SCM, and is presently focusing on the field of PKI solutions.

Also in September, DNP announced its second multi-application MULTOS product, MULTOS multi-purpose PKI application, and its PKCS#11 Driver for MULTOS (Windows95/98) for use in MULTOS multi-purpose PKI application integrated cards, which provides a PKI solution. Both MULTOS multi-purpose PKI application and its PKCS#11 Driver for MULTOS were developed to store PKI data, including electronic certificates and private keys, onto a MULTOS-integrated IC card. By installing the PKCS#11 Driver for MULTOS, users can copy certificates and private keys onto the MULTOS card when needed. Since encryption and digital signatures are managed within the card, the safety of the private keys is maintained.

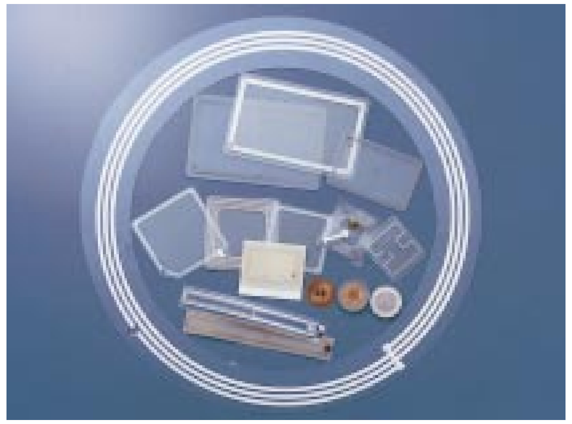
In March 2001, DNP became the first company in Japan to load Rijndael, a likely standard for the next-generation common key encryptosystem, onto a smart card already in use. Rijndael is a common key encryptosystem developed by Belgian researchers, and the latest candidate in U.S. encryption standards. Rijndael is to be widely used by the U.S. government, as it could replace DES and Triple-DES to become an international standard.

Developing a contactless IC tag, an effective tool for store-chain management, and its application systems

In September 2000, DNP announced the development of an original contactless IC tag called ACCUWAVE. Production began in October, with plans to increase monthly production to 3 million units in 2001. The main objectives of producing ACCUWAVE were to provide contactless tags of suitable size, shape and function for various uses at low cost. The IC tags can be provided in various shapes as labels and cards, or even directly inserted inside a product. Both sheet and roll types also are possible media shapes. Compared to other ID applications such as bar codes, contactless IC tags have various advantages. Contactless IC tags can be rewritten, simultaneously recognized, and are extremely durable. By adopting contactless IC tags to automatically recognize humans or materials, customers can expect to improve productivity, reduce costs, and improve customer services.

In November, DNP developed an inventory and exhibition management system for enterprises, libraries and museums. It is a support system for efficiently storing, managing and exhibiting materials by integrating the contactless IC tag ACCUWAVE and RP System, an oxygen-free packaging system developed by Mitsubishi Gas Chemical Company, Inc. After registering content information such as text and images into a database, a contactless IC tag is attached to an oxygen-free packaging system (RP System) airtight bag in which the content is sealed. By registering the database digital information onto the IC tag, both the database information and the actual content can be managed together.

In March 2001, DNP announced the development of the ACCUWAVE card, the card version of the contactless IC tag. The ACCUWAVE card integrates a thermo-rewriting site for displaying a variety of information. The card and laser reader/writer combination enable both a thermo-rewrite display and IC chip data rewriting. While the ACCUWAVE card costs approximately 120 yen per card with the purchase of 1 million cards, the laser reader/writer is also reasonably priced, at around 200,000 yen per unit. The ACCUWAVE card system is scheduled to go on sale this summer, and annual sales are forecasted at 500 million yen within the next three years.



Developing electronic forms

In October 2000, DNP, along with Horei Limited and JetForm Japan Co., Ltd., announced the launch of Japplic, a commercial, electronic form service portal that is the first to correspond to Web/XML in Japan. By using the service, companies can develop and produce online electronic forms for submission to administrative agencies. The central government alone is said to handle approximately 9,000 types of forms for various applications, declarations and reports. Japplic provides the service of digitizing a wide variety of forms for online use. Individuals, corporations and agents can access this service 24 hours a day, 365 days a year, via a web browser, for a low monthly fee. Horei Limited will produce and provide the contents for the statutory forms. JetForm Japan will provide its electronic form technology, XFA (XML Forms Architecture), and direct web input interfacing capabilities. The XML data format allows compatibility with other systems and contributes to the inevitable realization of online electronic forms. DNP will operate the Japplic web site and design approximately 400 electronic forms based on XFA technology.

In September 2000, DNP, in cooperation with Jet Form Japan Corp. and Baltimore Technologies Japan Co., Ltd., announced plans to provide secure electronic form solutions by integrating identity authentication and data integrity maintenance. In addition to the use of XML-based electronic form solutions, co-developed by Jet Form Japan and DNP, the partnership involves Baltimore Technologies Japan's PKI technology. The first project will include the development of a solution model that interfaces DNP's smart card with Jet Form's electronic form tool, "FormFlow99," which has the PKI function of Baltimore Technologies.

In March 2001, DNP and Hitachi Software agreed to provide electronic form solutions for e-procurement systems. The key to this solution lies in standardized data exchange and storing technology called XML (eXtensible Markup Language). The XML data exchange streamlines and automates internal administrative processes, such as procurement applications, approvals, payments and ordering processes, which until now have been conducted by using a paper-based, form process.

To suit your needs, DNP offers more in addition to smart cards for you to choose from

In November 2000, DNP and Sigma Koki Co., Ltd. announced the co-development of a laser-thermal card that can be rewritten 4,000 times – approximately 10 times the capacity of existing cards. Writing and erasing is conducted using a laser light instead of a thermal head. The laser-thermal rewritable card is appropriate for smart cards and contactless smart cards, including IC tags. Unlike the conventional system, which uses thermal heads that require periodic cleaning, the laser thermal rewritable card system is maintenance free. Cost is also reduced by eliminating conveyance systems that move the media inside a device by rollers, a fixture in the old magnetic card system. Having completed trial production of the laser thermal rewritable card system, DNP started production and sales of the product, in conjunction with Sigma. Sales targets of 500 million yen are set for the next three years.

In September, DNP announced the development of the Clear Design Card, a magnetic card that features elaborate designs in print. Traditional magnetic card printing avoided the printing of designs onto the magnetic portion to prevent loss in reading effectiveness. But due to recent demand, cards using the entire surface area as a design space have become mainstream, albeit with limited printing thickness and colors. The newly developed Clear Design Card makes it possible to thicken printing layers over the magnetic stripe by 1.5 times, also eliminating the previous problems of displaying incorrect colors. Moreover, the new magnetic tape maintains resolution while its magnetic attributes are increased.

In April 2000, DNP began supplying JR East Japan with the PET-G Card, an environmentally friendly card, for the railways' View Visa Card.

In September 2000, DNP announced that ALL IMAGE, its high-quality, holographic, magnetic card, would be used by the international credit card brands MasterCard and JCB. DNP is strengthening its product line by employing PET-G, instead of the traditional vinyl chloride, as the environmentally friendly foundation material.

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Holograms for highly complicated anti-counterfeit measures

In July 2000, DNP and NHK Spring Co., Ltd. developed a high-security optical hologram characterized by special visual effects. Optical holograms are produced through an optic feature process that captures the hologram onto a polymer layer. This process facilitates visual authentication, and enables a mechanical reader (manufactured by NHK Spring) to discriminate between authentic and counterfeit holographs.

In May 2000, DNP announced the development of Finegram, a faithful holographic reproduction of traditional anti-counterfeit measures for printing securities, such as employing complicated, hard-to-copy designs and using subtly changing dot patterns. In addition, Finegram is significantly more secure than traditional holograms, having realized highly luminous and detailed images as well as images that move in sequence when seen from different angles.

Also in May, DNP began sample shipments of products featuring a technology to record variable information on holograms, using laser lithography. ID and numerical information can now be recorded on holograms. This technology holds a basic patent; other application patents are pending.

Developing Eco-related products

In September 2000, DNP, in collaboration with ink makers, established a technology using soybean oil ink that, for the first time in Japan, was free of VOC (Volatile Organic Compound) for use in high-grade commercial printing. DNP also began marketing printed materials using this ink. Traditional ink for general printing is mainly produced from oil solvents, but concerns about environmental issues have increased demand for an environmentally friendly ink substitute. Because soybean and reproduced vegetable oil inks needed oil solvents to enhance drying characteristics, clients dealing with environmental issues sought the development of environmentally friendly and practical ink. DNP will proceed with developing, planning and marketing environmentally friendly products by combining the newly developed VOC-free soybean oil ink.

In May 2000, DNP developed environmentally friendly one-part delivery sales slips. This slip is designed to peel off cleanly from packages after delivery, allowing the undamaged boxes to be used repeatedly. Unlike the traditional delivery sales slips that consisted of multiple carbon-copy slips, DNP's new one-part delivery sales slips take advantage of bar-code technology. They are a single tack label that DNP developed using its coating technology, adding layers such as a release coating, plastic film, adhesive layer and a separator. Expected sales for the delivery slips for the first year are 100 million yen.

Information Data Center for a more advanced network support

In April 2000, DNP announced plans to establish its "Internet Data Center (IDC)," an infrastructure with an information distribution focus, in September. It is a new Internet business to provide more advanced support for corporate networks. IDC features connections with a high-speed Internet backbone, double system network circuits and double power supplies to ensure non-stop service, 24 hours a day, 365 days a year. It also has a management/operation monitoring system equipped with sophisticated security measures such as finger-print authentication and smart cards.

In October 2000, DNP announced the completion of IDC. It is the first facility in the printing industry to fully meet all infrastructure requirements for future Internet businesses. These requirements include enhanced physical facilities such as quake-resistance structuring, fire resistance and disaster prevention. With the launch of IDC's full-scale operation, DNP organized a special team for the IDC business within the planning department. As well as fostering already existing systems, integration will support corporate e-commerce, intranet and extranet structuring. DNP will integrate Production DB Systems for catalog production, IPS and smart card personal authentication systems, electronic settlements systems and pager services: providing a total solution for multiple media including paper, packaging (for CD-ROM/DVD), cellular phones, and BS/CS data broadcasting. Sales of 3 billion yen are projected for the first year.

E-management solutions & support system for corporate e-business issues

In October 2000, DNP, in collaboration with Arthur Andersen, announced the November launch of a total enterprise support service in e-business consulting, systems development and systems operations at DNP's Internet Data Center (IDC). DNP will deploy its know-how on systems structuring/operation and contents planning/production in conjunction with Arthur Andersen's superior consulting strengths. The two companies will provide a highly flexible total support service for every stage from consulting to system development and operations for clients who are examining full-scale e-business operations at the IDC.

In May 2000, DNP announced the launch of IR Presenter, a service that delivers footage of corporate financial statement announcement meetings on DNP's IR support Web site, Investor Galaxy. IR Presenter delivers corporate financial statement meetings' video footage, sound, materials, DTPR and other data, either in real time or on an on-demand basis. This will allow not only institutional investors and analysts but also general investors to gather information close to that delivered at actual financial meetings.

Also in May, DNP developed the Presentation Support System to support the sales promotion of housing facility and equipment. This system allows housing facilities and equipment sales companies and contractors to easily present products to clients, in a manner that is also easy to understand. Options in size, materials and equipment for kitchens and bathrooms can now be shown without complicated explanations using catalogues.

In February 2000, DNP began sales of its newly developed attendee management system for corporate seminars and private events. Guests receive invitations containing specific bar codes or low-priced contactless IC tags recorded with a person-specific code. On the day of the event, attendees are registered by extracting and sending the bar code or IC data to a server (installed backstage). While an internal web browser can display attendee data, the system can also automatically notify the proper guidance or sales staff of guest arrivals by cellular phone or pager. The system is expected to ease the congestion of registration desks. In addition, management can shift, direct or change on-site personnel by viewing and analyzing event attendance from a remote site.

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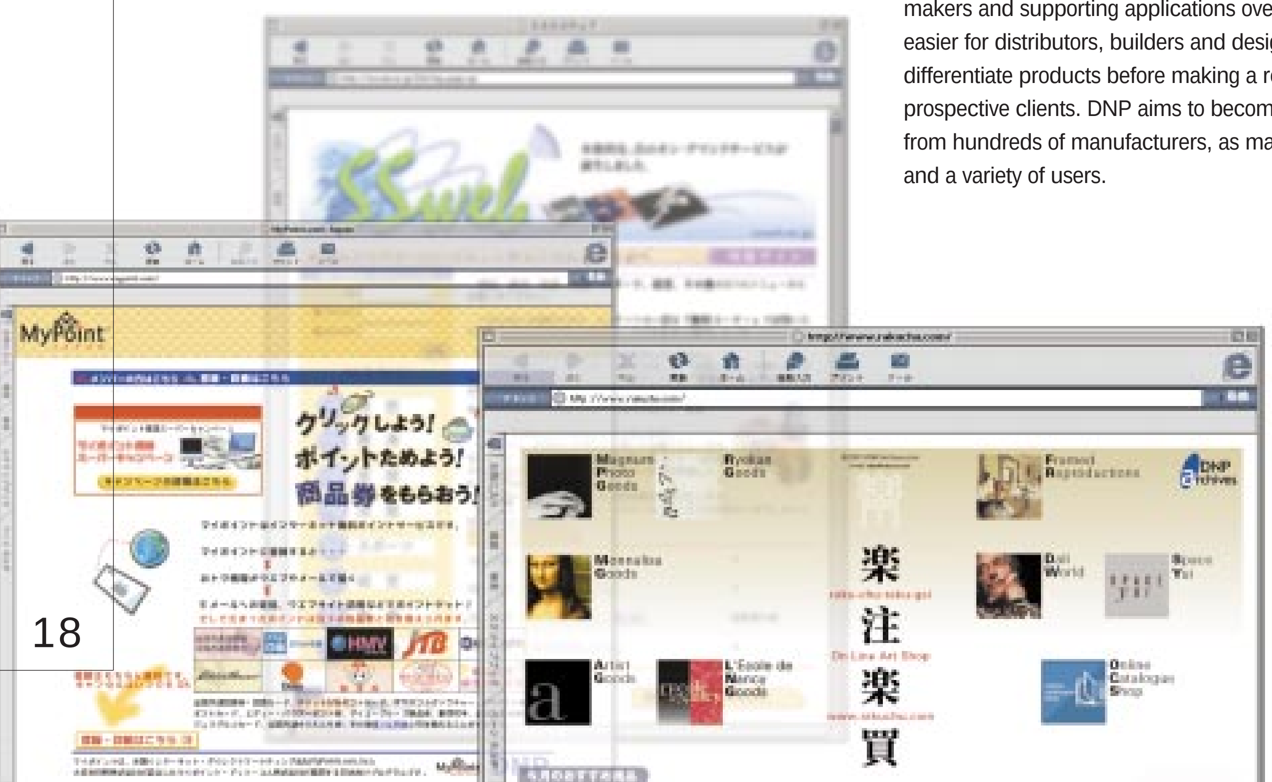
Starting a BS digital broadcasting business

In June 2000, DNP announced that it will commence production support of digital data broadcasting programs in conjunction with the December 2000 launch of BS digital data broadcasting. DNP's position is to develop digital data broadcasting as one of its multiple media tools which include printed media, Internet media and packaging media. To provide comprehensive services to the interactive medium of BS digital broadcasting, DNP will incorporate three of its strong points: customer services, on-demand printing and database marketing. The services provided will be most effective in industries involving mail order, travel, electric household appliances, real estate, cosmetics, finance, automobiles, distribution and beverages. DNP Digitalcom Co., Ltd. will lead the program support.

In July 2000, BS Fuji, a Fuji Television BS (Broadcasting Satellite) digital broadcasting company, is jointly developing with DNP a two-way service for BS data broadcasting to be launched in December.

The companies established BS Fuji Bit Link (tentative name), a joint project with total working expenses of 1 billion yen. They will jointly build and operate a client database and data-processing system not only for data broadcasting but also for expanding services for the Internet and mobile phones.

Another future project is an Internet site with features to allow people to participate in programs on BS Fuji from the Internet and is scheduled to be established around October. Content for two-way commercials and programs will be provided in collaboration with DNP Digital.com, a DNP subsidiary that provides production and support services for data broadcasting content, among other things.



DNP developed an application service provider (ASP) service and marketplace that collects the voices of customers for an efficient service

In March 2001, DNP announced the June launch of LoyaltyCube, a new ASP (application service provider) service that both manages customer data such as purchase histories, time and amount obtained through loyalty card introduction, and analyzes the data and presents the information over a web browser. The database server located at DNP's Internet Data Center (IDC) uses an advanced security management system, including double or triple security systems, in which data transmissions between the IDC and store are conducted over Virtual Private Networks. The service realizes automatic database structuring, transmission, analysis and extracting for companies implementing loyalty card systems. Extremely precise data obtained by this service will enable effective sales promotion activities by applying and distributing customer-specific information in direct-mail advertising, catalogue and e-mail forms. DNP aims to achieve approximately 2 billion yen in sales within the next two years, including revenues from reader/writer sales and system user fees.

In February 2001, DNP announced the launch of Map On Demand (http://www.map-ondemand.ne.jp), an ASP service supporting area-based marketers. This service integrates geographic and demographic data used for market research in which users can create and view area-specific marketing data over the Internet. By simply specifying an area and a demographic item, Map On Demand users can utilize area market data to optimize direct mail distribution areas, new store openings and promotion plans. Map On Demand allows users to access necessary information at a reasonable price.

In November 2000, DNP announced the January launch of the trial operation, Live Housing, an ASP business for the housing industry. Live Housing compiles a product database from multiple makers and supporting applications over the Internet, making it easier for distributors, builders and designers to fully examine and differentiate products before making a recommendation to prospective clients. DNP aims to become a major ASP with data from hundreds of manufacturers, as many as 100,000 products and a variety of users.

In January 2001, DNP Information Systems Co., Ltd. announced the launch of "Connecting One," a sales order support system for marketing materials and custom-made office supplies. Relevant products include catalogues, leaflets, POPs, exclusive vouchers, sales materials and corporate stationery. By accessing the service via the Internet, customers can place purchase orders (complete with item, amount, date and address specifications), process payments and confirm orders. At the same time, all relevant order information is processed and distributed to administrative offices, suppliers, inventory and shipping departments. Customers, headquarters, shipment sites and suppliers are able to execute a series of processes by accessing a single server. All parties are able to share the same information, such as product changes, by reviewing posted notices located at the top of the screen.

Also in January 2001, DNP established OrderLine to support its Media Galaxy and Internet Data Center's integrated Internet services clients. E-commerce sites require fault-tolerant systems that safely and securely manage electronic transactions. OrderLine is a multi-purpose back-end system that securely transfers online transactions, saves initial costs and enables expedient deployment of electronic settlement capabilities to enterprises.

OrderLine manages order information such as customer, transaction date, delivery location, order quantity and sales data. This information can be downloaded and used to fulfill tasks, leading to efficient order management on the Internet. DNP expects 100 OrderLine users and orders of 2 billion yen in the next three years.

DNP Contents Business takes advantage of the latest information processing technology

In April 2000, DNP and Nihon Tsushin Kyoiku Renmei (Japan Correspondence Education Association) announced a plan to jointly plan, produce and sell original visual contents. Their first project was "Buddha Statue's Prayers," a video production focusing on statues of Buddha designated as national treasures or important cultural assets in Kyoto, Nara and other temples. The video content, produced using high-definition technology, aired from April to September in 26 episodes. DNP and NTKR plan to continue producing high-quality visual content featuring global historical sites, architecture, art, cultural assets and nature.

Also in April 2000, DNP and Keio University jointly launched the Digital Silk Road Project with the aim of building a new store of knowledge using a communications network. Prior to this, DNP had donated the DNP House in Keio University's Shonan-Fujisawa Campus to promote joint industrial and academic research. The Digital Silk Road Project is the DNP House's first project and enables anyone to experience the vision and space of the Silk Road using a virtual 3-D globe and creating a digital Silk Road on the Internet. The Digital Silk Road Project will house an enormous database of research written in multiple languages, just as the Silk Road of yesteryear was home to a multitude of people communicating in numerous languages.

In June 2000, DNP participated in the joint publication of "April Snow," a haiku collection in Swedish and Japanese. The company joined the Sweden Haiku Association and "The Book and the Computer" editorial department, in cooperation with the Swedish Embassy, to launch the first international on-demand joint publishing project. The collection was compiled by using the Internet and on-demand printing technologies. Since November 1999, the editorial department of "The Book and the Computer" and DNP have been conducting a pilot program centered on on-demand publishing, called "HONCO on Demand," but the idea of publishing "April Snow" began with Mr. Peter Kurman, a Swedish poet and on-demand publishing promoter. The compilation records 100 Swedish and 100 Japanese haiku in the form of "saijiki," a glossary of seasonal terms for haiku composers with illustrative verses. The Japanese haiku were not selected from prominent haiku, but rather attention was given to artistic characteristics. The Swedish selections were chosen from pieces produced in the last 50 years, written by 75 haiku poets considered to possess the "haiku spirit."

In September 2000, DNP began sales of Archive Bankbooks and Archive Bankcards. These bankbooks and cards will carry reproductions of world-renowned paintings held by the Réunion des Musées Nationaux. The cards are a response to a full-scale transition to debit cards and smart cards. They were produced in conjuction with a subsidiary, DNP Archives Com. By using an image archive site or CD-ROM, customers can choose paintings for their Archive Bankbook or Archive Card from approximately 500,000 world-famous works. Consisting of masterpieces such as "The Gleaners" by Jean Millet and "Tahitian Women" by Paul Gauguin, account holders have new choices for a fresh, stylish bankbook or card. DNP plans to expand sales of the Archive Bankbook and Archive Card to nationwide city banks, local banks and credit unions. Combined sales of both products are expected at 200 million yen for the first year.

Also in September 2000, DNP launched a mobile telephone contents service, Professional Baseball News Flash, in cooperation with Tokyo Broadcasting Systems, Inc. The service delivers a full season worth of baseball data to cellular phone terminals. The free version of the Professional Baseball Flash News was provided from the first game of the season, but the contents have been enriched to provide game results and developments, season forecasts, rankings, batting average rankings, winning percentages, etc. The number of users has steadily increased due to avid professional baseball fans who seek timely information about game results, especially toward the playoff period in the latter half of the season. Delivery as a pay service started in September at 200 yen per month. DNP and Tokyo Broadcasting System, Inc. adopted a revenue sharing method for the co-delivery of contents.

In February 2001, DNP announced the full-scale launch of Mobile Galaxy, a hosting service supporting mobile phone information content businesses. While focusing on server hosting, DNP will produce and prepare contents corresponding to wireless protocols, i-mode, EZweb and J-SKY.

In December 2000, DNP announced it would provide the contents of wine, spirits and bars to BAR style, managed by NEC Corporation's BIGLOBE (Japanese site only). BAR style is part of NEC's ISP service and one of BIGLOBE's Cyber Plaza sites. BAR style provides practical and informative information about wines, spirits and bars to all levels of enthusiasts. NEC will be in charge of developing the site, while DNP will manage content production and editing. Information about hotels and events, bars and lounges, top bartenders and much more is featured in BAR style.

In January 2001, Sound Shelf Co., Ltd., a voice contents distribution service company co-funded by DNP and the publisher Shinchosha Co., Ltd., announced the launch of sales on the Internet of recitation and lecture CDs

Sound Shelf provides Internet-based distribution of recitations, lectures, comic monologues, sermons and interviews. Initially, Sound Shelf will provide approximately 300 titles of literary CDs and cassettes, originally distributed by Shinchosha. With a price range of 1,800 to 5,000 yen, Sound Shelf intends to expand its product line by introducing products from various companies. While payments are only accepted via credit card, non-members will be able to purchase products with delivery in approximately 10 days after the online order. Sound Shelf forecasts annual sales of 50 million yen during its initial year, and 300 million yen in the next three years.

In March 2001, DNP established a "web library" to sell electronic books and on-demand books through its e-commerce site. Electronic books transform content into digital data and are sold via online downloads, while with on-demand books, DNP delivers custom orders received over the Internet. DNP plans to establish an internal infrastructure to provide readers with a system for smooth sales, charging, settlement and distribution, as well as providing publishers with a suitable system for data production. In its initial stage, DNP will provide approximately 360 titles, focusing on novels that are hard to find over the counter. DNP will expand titles to 1,000 within a year, and will include technical books, practical books and dictionaries.

Working on DNP Archives.com to develop system media involving digital archives

In October 2000, DNP Archives.com Co., Ltd., a subsidiary of DNP that runs its Internet content businesses, announced the limited sales of illustrated books and catalogues produced by nationwide art galleries and museums. As well as opening new distribution routes, the objective of "The First Online Catalogue Fair" was to provide art lovers with illustrated books and catalogues unavailable in general bookstores. DNP Archives.com sold the products at the "DNP Museum Information Japan ARTSCAPE," DNP's art information web site with over 600,000 accesses per month. About 300 illustrated books and catalogues from approximately 40 galleries and museums nationwide went on sale.

In July 2000, DNP Archives.com, a subsidiary of DNP, announced the establishment of the Japanese Artist and Art Database Center to further promote the digitization of artworks representing modern Japan. The database collection contains about 40,000 text and art pieces that DNP has acquired through coverage or photographs, over the past 40 years. Also included will be artist profiles, genre, motif, size and year of completion. Visitors can conduct a network search and view artworks via the database. The project launched with the introduction of artworks by Japanese artists, all in the forefront of their field. Recent masterpieces in many genres are scheduled to be introduced on the database by using precise digitization methods. DNP forecasts 100 million yen in sales for the first year.

In July 2000, DNP Archives.com announced the opening of "Rakuchu Rakugai,'' an online art shop retailing high-quality replicas and various museum goods. Some of the available goods include canvas replicas, Mona Lisa motif holograms and etchings, and books of magnum postcards. As the DNP Group's first project targeting sales of general consumer goods via electronic settlements, it aims to become a major shopping portal with the themes of art and lifestyle. Plans have been made to appropriate the abundant contents of "RMN Image Archive," a digital image licensing firm jointly conducted by the DNP and Réunion des Musées Nationaux (RMN). Combined sales of contents and goods are expected to reach 100 million yen in sales for the first year, and 600 million yen by the second year of operation.

In January 2001, DNP Archives.com announced the establishment of its Art Copyright Business Department. DNP Archives.com will expand its image licensing business by consulting and conducting copyright authorization processes of Western and Japanese artworks. In recent years, copyrighted artworks have been in increased demand for use in reproductions or digital contents. Gaining access to artworks under copyright protection over the Internet is said to be difficult due to troublesome procedures. DNP Archives.com decided to establish this special department as a response to business user demands for a simple and unified copyright authorization process.

In December 2000, DNP Archives.com, in collaboration with Tokyo-based United Media, the copyright holder of Peanuts, announced the release of the standard Windows version of "Snoopy E-mail."

This software is the second version of the popularized Snoopy E-mail (50th anniversary version), which was sold over the Internet on a limited basis. Snoopy is the general desktop mascot, but users can enjoy various characters, such as Woodstock for mail receipt confirmation, as well as a Snoopy alarm.

Promoting network businesses as a main player, not merely as an invisible player providing support for solutions

MyPoint.com links client companies and consumers through network communication

In June 2000, DNP announced that it will establish MyPoint.com Japan Co., Ltd. jointly with MyPoints.com, Inc. of the United States. The new company began its incentive marketing business upon its launch in July 2000. In December 2000, it announced the launch of its incentive service for Internet users.

MyPoint.com Japan will provide free services to registered users. Members can earn reward points by reading and responding to relevant email offers, visiting web sites, and making purchases. In MyPoint Web (http://www.mypoint.com/), readers earn points by viewing banner advertisements, participating in online surveys, making purchases, and referring the site to new users. Several prominent companies signed up as incentive partners, including the post office, Wacoal, HMV Japan, Eddie Bauer Japan, Inc., Johshuya, Daiei, McDonald's, UC card, JTB, Pia, national libraries (national book coupons/cards), national recreation parks, national fitness clubs, children's gift certificates, JF Gourmet Card and QUO Card. MyPoint.com plans to acquire 1 million members by the end of 2001. In March 2001, MyPoint.com Japan Co., Ltd. announced that its services topped 100,000 members. Members can exchange their acquired points for products, gift certificates and prepaid cards provided by incentive partners.

Establishing famima.com to support a new convenience-store-franchise system

In May 2000, DNP, along with FamilyMart Co., Ltd., ITOCHU Corporation, NTT Data Co., Ltd., Toyota Motor Corporation, JTB Corp. and PIA Corporation, agreed to establish famima.com Co., Ltd., a joint venture promoted by FamilyMart to support a new convenience-store-franchise system to meet the demands of the e-commerce era. famima.com, based on the world's first e-commerce franchise system (patent pending since March 2000 by FamilyMart), provides support in creating the "Super Convenience Store," a new format of the convenience store in the 21st century. Specifically, famima.com in October launched an Internet shopping site to expand on the products and services provided by convenience stores. In addition, it will befit every FamilyMart store in Japan with a satellite multimedia information terminal by July 2001 to offer new digital contents and network services to shoppers. Famima.com has a sales goal of 120 billion yen in the fiscal year ending March 2004.

LIFESTYLE PRODUCTS

Expanding Printing to Contribute to Society After World War II ended in 1945, the Japanese economy began to emerge from its confused state. To restore order to the company, the DNP management devised a five-year restructuring plan in 1951. It was the first time in DNP's 75-year history involving mainly books, magazines and newspapers that a plan called for an expansion from printing.

The expansion plan was the result of two events. First, soon after the war, Glico, a growing Japanese candy maker, was looking for a manufacturer who could produce red paper boxes for its caramel candies. DNP quickly accepted the challenge, produced boxes using what little experience it had, and successfully delivered them. Second, the year before the restructuring plan was formed, Orie Kitajima, then a director and later the president and chairman of DNP, had visited the United States to study the country's supermarkets. The extensive lineup of products, all uniquely packaged to attract the shopper's attention, left a lasting impression on Kitajima, who saw DNP's future in them. The confidence DNP had established in making the Glico candy boxes and the state of supermarkets he saw in America led to his determination: Restructure DNP by adding on a full-scale paper-container operation. After a few years, major manufacturers in the food, pharmaceutical and cosmetic industries started to place sizable orders with DNP. Eventually, DNP also began working on printing on cellophane, and then on vinyl, which led to DNP's expansion into printing decorative materials.

Such new ventures bore fruit for DNP's extended branches as Japan's economy grew at an unprecedented rate. Since then, DNP has continued to contribute to society as its corporate domain expanded printing. As a result, DNP's products – from books, magazines and calendars to posters, catalogs, packaging and decorative sheets on furniture and walls – are now used in every aspect of people's lives.

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1957 Advances into the film-packaging field at full scale.
1961 Builds a plant specializing in the molding, printing and processing of plastic containers.
1962 Develops a technology to directly print on steel plates.
1968 Develops laminated-tube technology.
1970 Develops retort-packaging technology.
1978 Develops multi-color, curved-surface printing technology.
1994 Begins sales of an inline form sterile filling system for PET bottles.

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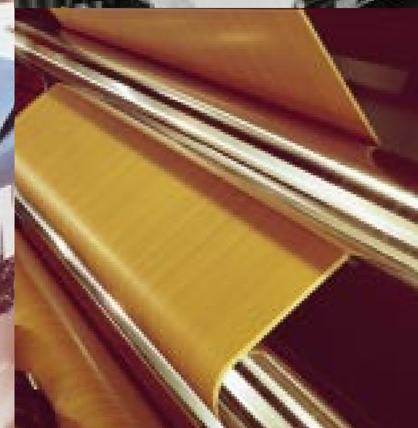

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Package development and proposing management systems for package-materials makers

In March 2001, DNP announced the development of a retort pouch with Braille, a universal-design packaging material. Although Braille has been integrated to medical product packages (paper cartons), DNP is the first to apply Braille to a retort pouch. Three sides of the two-layer resin film retort pouch is heat-sealed before a product (peeled sweet roasted chestnuts) is enclosed via the single opening; and Braille is embossed by applying a Braille mold when heat-sealing one of the three sides. Recent social trends have changed the packaging industry. While the basic function of packages is to protect and preserve the contents, recent needs to protect the environment with reusable, recyclable and cleanly burnable materials have greatly increased. Furthermore, society is focusing on barrier-free and universal-design environments to support the elderly or visually impaired. DNP has already delivered to the market Braille-embossed, daily product packages for cellophane wrap and plastic bottles, and has been focusing on barrier-free and universal design components to commercialize easy-to-open and easy-to-carry packages.

Building an Internet EDI Procurement System using a joint warehouse with a packaging materials manufacturer

In June 2000, DNP announced plans to build an Internet Electronic Data Exchange (EDI) Procurement System jointly with Mitsui & Co. DNP's goal is to optimize supply chain management not only within itself but also with other materials manufacturers. Procurement of films and other film packaging materials began in June, using a stock point warehouse jointly established in Takatsuki City, Osaka, near DNP's Kyoto Plant, with a materials provider, and operated by Mitsui & Co.'s subsidiary with an expertise in joint warehousing. The Internet EDI makes procurement faster, more accurate and more efficient. By the summer of 2001, DNP plans to expand Internet EDI procurement to all of its transactions with more than 70 companies from which materials are procured. DNP hopes to expand the application to the field of commercial printing and the 3,000 some companies it procures its products from as part of DNP's efforts to implement supply management. In the future, DNP aims to create an electronic market place with its clients and providers as part of its e-procurement activities.

Environmentally friendly decorative materials

In July 2000, DNP announced the development of an environment friendly, glazed-steel plate of superior design called “Clerio,” manufactured by Dai Nippon Elio K.K. DNP and Nippon Steel Corp. Recent concerns about sodium vinyl, used in most plates up to now, has raised environmental and health issues, and the demand for a review of sodium vinyl products has led to the development of the new glazed steel plate. Clerio is both environmentally friendly and corrosion resistant. Special printing methods have been applied that allow for remarkable freedom in design and variation. Clerio uses an environmentally friendly polyester resin, and best meets the needs for corrosion resistance and superior design, for usages such as the walls of modular bathrooms.

In August 2000, DNP announced that its Group secured ISO 14001 certification, the International Organization for Standardization's environmental management standards, at the construction materials Okayama Plant through the Japan Gas Appliances Inspection Association's JIA-QA Center. The plant designs and manufactures decorative surfaces, including thin papers, titanium papers and chemical product films used for printing papers. This certification was DNP's fourth plant to comply with ISO's environmental management standards. By conforming to an already existing, DNP-developed, environmental management system, the Okayama Plant had actively worked on saving energy, and reducing and effectively utilizing wastes. But to further implement measures for global environmental protection, the plant initiated preparations to acquire ISO 14001 certification in July 1999.

In March 2001, DNP, along with Kumagai Gumi Co., Ltd., Yoshino Gypsum Co., Ltd. and the Department of Electric Engineering, School of Engineering, Tokai University, announced the development of Tiger ES Board, an interior foundation material for electromagnetic shielding. The new Tiger ES Board takes advantage of DNP's highly advanced printing technology, applying it to a special cardboard to maintain all the features of the conventional ES board but to cut back the material price by 40%. Because the new Tiger ES Board comes in the same basic size as general gypsum boards, the construction process improved with a 50% reduction in construction time. Building an electromagnetic shield space is now affordable.

Developing environmentally friendly products

The DNP Group manufactures an array of products including books, commercial printing, packaging, decorative materials, cards and securities, electronic components, and information media supplies. These products are produced for a variety of industries and serve many uses in people's daily lives.

When we therefore make efforts to protect the environment, we keep all factors in mind. We focus not only on reducing environmental impacts in the manufacturing process, but also on producing environmentally friendly products.

In particular, having established an LCA (life cycle assessment) evaluation method in the packaging field in November 1997, we use the method to help create environmentally friendly products. The method can numerically represent energy use, CO_2 emissions and toxic substance releases involved in producing raw materials, as well as in manufacturing, distributing, using and recycling (or discarding) products.

The DNP Group continues to take wide-ranging measures to protect the environment, such as planning and developing environmentally friendly products in all DNP's product fields, even in their production process. Such an effort has paid off in the form of conventional products being replaced by environmentally friendly products we have proposed. Markets, previously not opened to us, have become markets in which we can become a key player. We can even create new markets.

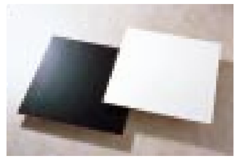
Lifestyle products

Most of our lifestyle products are closely related to people's everyday lives, some literally touching people. As consumers' awareness of the environment rises, so has interest in DNP's product developments. This has prompted the sales of our lifestyle products to increase. At DNP, we develop our products in accordance with our eight-point guidelines as we propose ways to protect the environment.

The following are some of the products that we developed following the guidelines:

1. Reducing substances that contaminate the environment

Pre Armor is an environmentally friendly decorative sheet that contains no VOC12 substance that generates the "sick-house" syndrome found in newly built houses. It also features our unique coating technology, the EB finish technology, to harden the surface to protect it from scratches. Our other product, IB Film, is a chlorine-resin-free barrier film for packaging, developed as a measure against dioxin problems. The film has already been used in many small bags for containing food, soup, seasonings and other liquid products that need the IB film's barrier characteristic.


Pre Armor

2. Conserving resources and energy

Ordinarily, the PET plastic bottles for soft drinks are shipped to soft-drink manufacturers to be bottled, only after they have been formed at the bottle manufacturers. DNP's Inline Form Sterile Filling System for PET Bottles, on the other hand, was developed from an LCA perspective to ship the bottles in their pre-form phase to soft-drink manufacturers, who will then form the bottles upon filling them. This method conserves resources and energy by dramatically cutting back on the energy used for shipping, and by reducing carbon dioxide and nitrogen oxide emissions. In addition, we developed Spouch®, which has a re-closable spout. It is a life-cycle-assessed, environmentally friendly container whose volume can be reduced after use.


PET Bottles


Pre-forms


Sterile Filling System Line


Spouch®

3. Recovering sustainable resources

DNP's P-DISH is a container for ready-to-eat dishes and frozen foods. Printable both inside and outside the container, the paper tray features more attractive prints than plastic containers. After use, the tray can be reduced in volume, and can also be recycled. It is also microwavable.


Paper Dishes

4. Durable

As a rule, all DNP products are developed with durability in mind. In particular, we make sure that our decorative materials for construction are durable.

5. Reusable

DNP's Stand Pouch is a refillable pouch that allows the main-unit bottle to be reused. After use, its volume also can be reduced.


Stand Pouch Refills

6. Recyclable

Paper cartons for holding liquid greatly cut back on transportation energy when compared with glass bottles. They are also good for recycling. Lines could also be printed on the container to help fold it to reduce volume.


Paper Cartons

7. Using recycled materials

HI-Cup insulated paper cups are double-structured. In some of them, recycled paper is used for the outer layer.


Heat-insulated Paper Cups

8. Easy to handle and dispose of

Containers called BIB and BIC combine plastic inner bags with outer paper cartons. The two parts can be separated and folded before and after use to dramatically save on storage space. DNP also offers the adhesive-free Stretch Label that can easily be peeled off and discarded after use. With no trace of the old address label, envelopes and packages can be recycled for repeated uses.


Bag-in-box (left), Bag-in-carton (right)


Stretch Labels

LIFESTYLE PRODUCTS
Dai Nippon Printing Co., Ltd. Annual Report 2001

ELECTRONIC COMPONENTS AND INFORMATION MEDIA SUPPLIES

Printing technology's possibilities are endless In Japan, TV broadcasting began as a test in 1950 by the government-run broadcasting station, NHK. It was not until 1956, however, that the absence of Japan-made color TVs prompted the then-Ministry of International Trade and Industry to spearhead efforts to make the nation's own color TVs. The color-TV development team, made mostly of MITI members, began by trying to understand the mechanism of a color TV. The team took apart a Braun tube from an American color TV, which was by far the most advanced TV at the time.

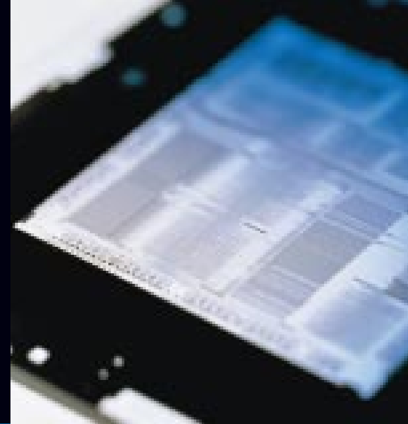
Inside the tube, the team discovered a shadowmask, an essential component for controlling the Braun tube's phosphor colors. It was a steel board only 0.15-mm thick, with 0.25-mm holes lined up at 0.65-mm intervals. The number of the pin-sized holes was as many as 250,000 for a 19-inch monitor, arranged under strict conditions. It seemed like an impossible product to reproduce. The team members did not know what to do. Then, they obtained a piece of information: In America, a printing company produced the shadowmasks.

As the only printing company in Japan to have established a research center at the time, DNP, whose forte was special printing, was called upon to tackle the task of developing shadowmasks. The year was 1957. Within the next year, DNP had applied its photoengraving technology to successfully produce shadowmasks. The news was announced in newspapers, featuring a female DNP employee holding a shadowmask sample. For days, DNP's stock price closed at limit-highs.

Eventually, Japanese color TVs began to dominate the world. Behind the Japanese brands that have become household names worldwide are DNP and its printing technology. And this shadowmask was only the beginning. DNP continued to develop other display-related products, including high-precision color filters for liquid-crystal displays, projection TV screens and back plates for PDP. The printing technology's possibilities, indeed, are endless.

1958 Completes test manufacturing of shadowmasks for color TVs.
1959 Completes test manufacturing of semiconductor photomasks.
1965 Begins producing lead frames.
1981 Develops high-precision shadowmasks.
1984 Develops projection screens.
1986 Begins manufacturing thermal-transfer ribbons.
1988 Begins manufacturing color filters for liquid-crystal displays.
1998 Begins work on electrodes for lithium-ion rechargeable batteries.
1999 Begins the build-up board business.

1958
Completes test manufacturing of shadowmasks for color TVs.



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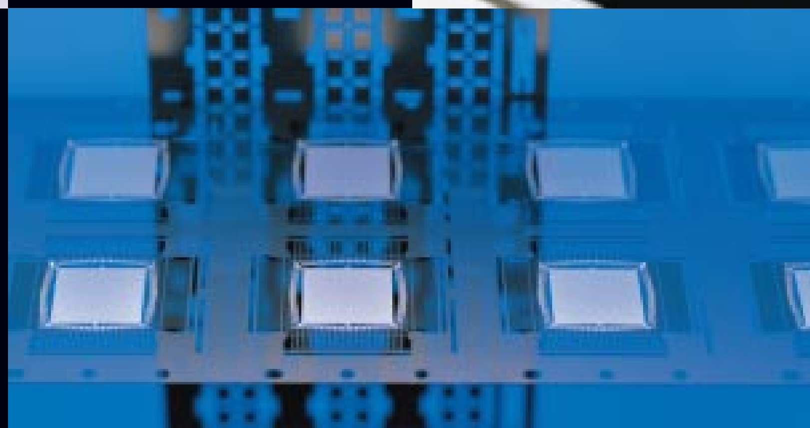

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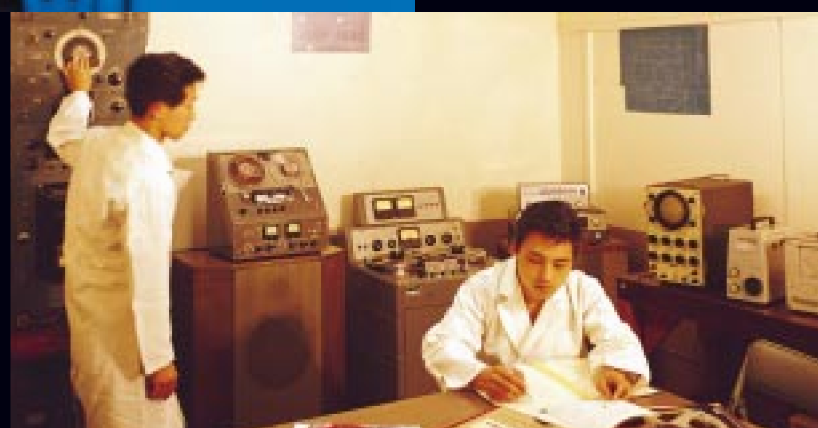
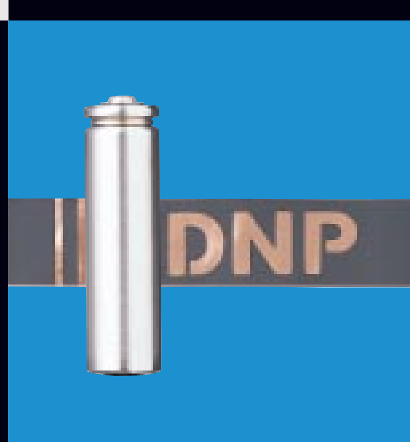


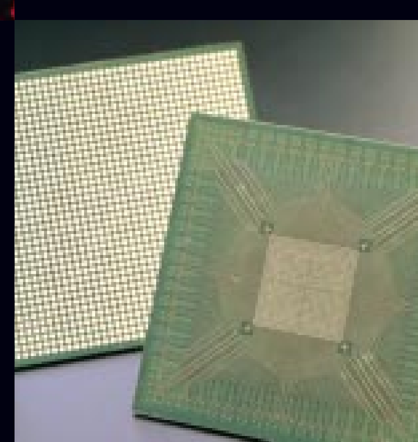
1986
Begins manufacturing thermal-transfer ribbons.

1988
Begins manufacturing color filters for liquid-crystal displays.

1998
Begins work on electrodes for lithium-ion rechargeable batteries.



1999
Begins the build-up board business.



Trends in display-related businesses

In April 2001, DNP announced that it succeeded in enhancing the flexibility of organic electroluminescent (EL) displays. 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 printing technology. This technology enables mass production of low-priced, extremely thin, curved surface displays, and can be applied to a wide range of areas including mobile devices such as PDAs, electronic books and luminous POP/posters.

DNP developed the new color-flexible, organic EL display by applying barrier film packaging technologies. Green and red luminous materials were integrated in the trial product, but red, green and blue luminous materials can be utilized at intervals of 100 microns, producing a full-color display. DNP plans to embed mass-production technology for commercialization by 2003, as well to improve functions of the barrier film substrate and organic EL ink.

In May 2000, DNP concluded an agreement with SinTek Co., Ltd, a Taiwanese manufacturer of color displays for liquid crystal displays, to license DNP's technology related to color-filter manufacturing. With this agreement, DNP will be the first Japanese color-filter manufacturer to supply locally produced color filters of its own-brand to the Taiwanese market.

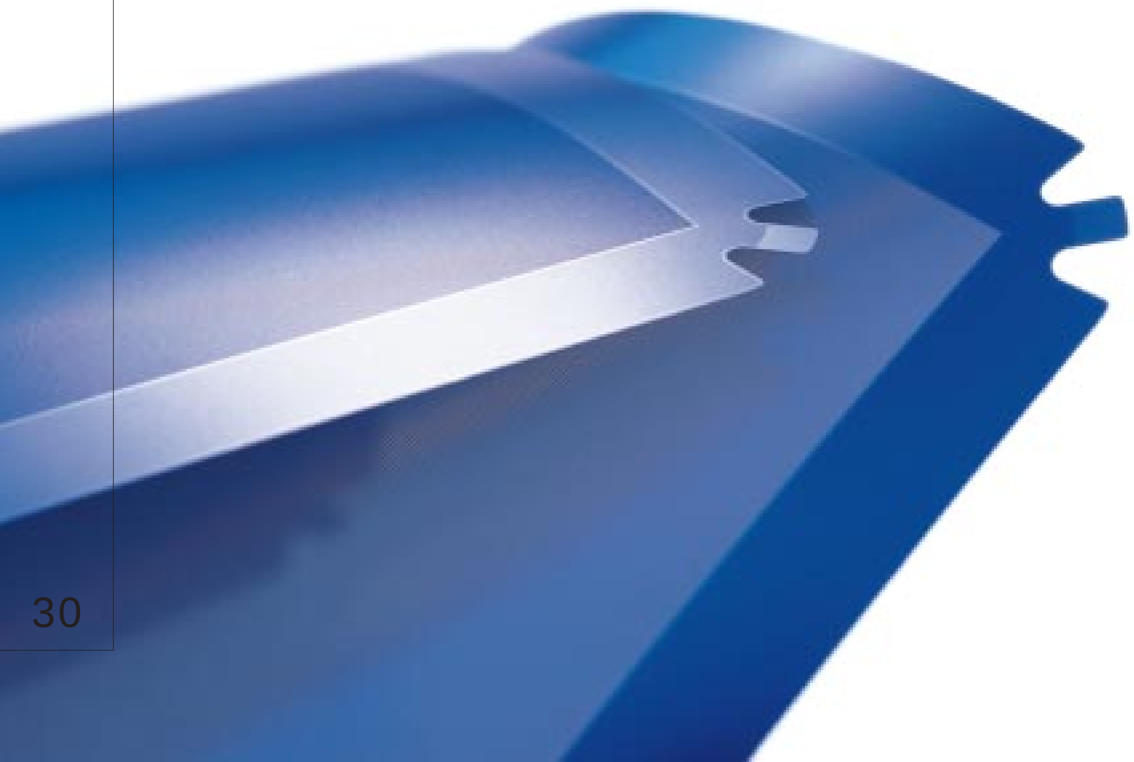
In June 2000, DNP announced that it had acquired a holographic patent portfolio, consisting of Hughes Aircraft Co. patents. The bulk purchase included about 150 patents, and were purchased from the U.S. military equipment manufacturer Raytheon Co. DNP and Raytheon also entered into a licensing agreement involving about 30 other holographic patents. The newly acquired patents have become part of DNP's roughly 1,200 different holography-related patents, the largest volume owned by a single corporation. The patents obtained by DNP are essential in producing a full range of holography products including optics related holographic color filters, heads-up-display systems, holographic screens, and holographic reflectors.

Raytheon had originally purchased the patents from the Hughes Aircraft Co. of the United States. A pioneer in holographic technology, Hughes developed and acquired various holographic patents, and the Hughes patents have become well known throughout the holography and optics industries.

In October 2000, DNP announced the extension and full-scale operations of its Mihara Plant (Mihara-shi, Hiroshima) for state-of-the-art shadowmask production. With demand for multimedia devices expected to soar, the newly extended production line will manufacture shadowmasks for all-in-one PC/TV units.

In addition to the growing trend of enlarging and flattening Braun tubes, demand for multi-media devices such as an all-in-one PC/TV is predicted to increase. Demand for high-specification shadowmasks, crucial components for display systems, also are forecasted to increase. To meet the high-end specifications of the next-generation display systems, shadowmasks must meet high-intensity, high-definition and rigid strength requirements. The advanced production line in the newly extended Mihara plant is capable of effectively producing shadowmasks that meet all such demands and requirements.

In December 2000, DNP announced the establishment of a wholly owned subsidiary, Dai Nippon Printing Co. (Korea) Ltd., making it the company's second Asian subsidiary after the one in Taiwan. The new company was founded in response to the increasing demand for electronics-related materials in Korea. Operations began in January 2001, and DNP plans to expand its business in the near future.



In February 2001, DNP announced that it would start construction of an Okayama Plant extension. Located in the prefectural Mitsu Industrial Park of Oaza, Ujigaki, Mitsu-cho, Mitsu-gun, Okayama Prefecture, the new building will be used to increase the production output of various display films. Completion of the plant extension is scheduled for October, after which a polarizing plate film used in liquid crystal displays, CRT film and touch panel film are to be produced starting November.

Trends in semi-conductor-related businesses

In May 2000, DNP and Fujitsu Ltd. entered into a basic agreement to collaborate in the field of semiconductor photomasks. In accordance with the agreement, the two companies plan to concentrate their management sources in the field of photomasks, jointly develop next-generation photomask technologies and discuss manufacturing most-advanced photomasks at competitive prices. For the time being, photomask development will take place at Fujitsu's Mie Plant while DNP, already the biggest manufacturer of photomasks in the world, further enhances its production capacity.

In December 2000, DNP and Taiwan-based United Microelectronics Corp., a major semiconductor foundry company, announced an agreement to form a business partnership in stable photomask supplies. DNP will secure UMC's orders in state-of-the-art photomasks of 0.15µm and 0.13µm. By stabilizing supplies in a rapidly expanding semiconductor market, UMC aims to acquire more market share. Both companies also will conduct joint research on optimizing UMC photomask specification requirements for photomasks smaller than 0.10 µm, said to be the next generation in semiconductor process technology. Photomask development has accelerated in conjunction with rapid growth in the semiconductor market. The current mainstream demand for 0.18 µm has been steadily shifting to 0.15 and 0.13 µm, and there is also increased demand for state-of-the-art, high-quality Optical Proximity Correction and Phase Shift Masks. DNP's semiconductor-related business developments include the purchase of Hitachi's photomask division in October 1999, and the establishment of a Toshiba joint venture in semiconductor photomask production in March 2000. In addition, in January, DNP started the joint development of next-generation photomasks with Intel, and has been expanding its photomask businesses through a business partnership agreement with Fujitsu in May. The business partnership with UMC is part of DNP's strategic alliances with top semiconductor makers. By retaining its technological edge and integrating DNP photomasks in UMC products, which serve global semiconductor demands, DNP expects to acquire market share gains and customer loyalty.

In October 2000, DNP and Toshiba Corporation established D.T. Circuit Technology Co., Ltd., a joint venture that began operations in November to develop, produce and market build-up boards and functional circuit modules. The agreement saw Toshiba transfer part of the assets and human resources of its present PCB operation to Toshiba Circuit Technology Corporation, a Toshiba Group company engaged in the design, development, manufacture and sales and marketing of PCBs, that became the core of the joint venture. Toshiba subsequently increased Toshiba Circuit Technology's capital and DNP acquired a stake in the company to establish the joint venture. By combining Toshiba's B^2it technology for high-density, multi-layer printed boards with DNP's advanced fine pitch wiring technology, the joint-venture company will provide the market with highly competitive products. Through a close focus on its core business in build-up boards, D.T. Circuit Technology Co., Ltd. aims to reach annual sales of 25 billion yen in the next three years.

In February 2001, DNP announced plans to construct an extension to its Kyoto Plant to meet an increase in demand for next-generation photomasks. As the photomask market leader, DNP provides photomasks to both domestic and foreign markets at the Kamifukuoka Plant, in Saitama, and the Kyoto Plant. DNP will enrich production capacity in the two plants while integrating an efficient production system by hedging risk and shifting production in response to changing market trends. The three-floor facility at the Kyoto Plant was completed in August 2001. DNP is planning to introduce two electron beam mask writing systems and their automatic exterior inspection equipment, process management system, and a processing facility complying to next-generation, chemically amplified resist standards. DNP will also reinforce photomask supplies for semiconductors fabricated to the 0.13 micron design rule, demand for which is expected to be most active after next year. With the adoption of a mini-environment system and cost-effective, clean- room layout structuring, DNP expects quality improvement and cost reduction. Infrastructure and equipment investments for the facility are expected to reach 5 billion yen, as DNP positions to efficiently and effectively handle growing sales expectations.

Trends in information-media-supply-related businesses

In November 2000, DNP, in collaboration with Sigma Koki Co. Ltd., announced the co-development of Dippo, a Braille printing system. The device is simple to operate and produces easy-to-read output materials. The Braille system mostly has been limited to books and newspapers, but DNP's development expects to improve lifestyles for the visually impaired by on-demand outputting. Application fields include public service, such as medicine bags for hospitals; guidance in infrastructure, such as hotels; and receipts for terminals, such as ATM or POS. DNP believes that this product will greatly improve the application fields of the traditional Braille system. The newly developed system allows for simultaneous printing of Braille and traditional characters (katakana, kana, English and symbols), is compact in size and sells in the reasonable range of 300,000 yen. The system has a wide range of uses, other than Braille.

In October 2000, DNP announced the launch of an informative Internet site, "Digicamates," to promote the enjoyment of printing digital images at home. Recently, the popularity of digital cameras has sprung up, and it is estimated that annual domestic and international shipments exceed 10 million units. Moreover, with added features such as various design frames and print-size selections, digital cameras are becoming fully integrated with home printers. Thus, the printing of high-definition images can be easily enjoyed at home. The new site contains the latest information on new products and digital camera printer events, concrete examples of digital printer application methods, instructions for printing digital camera images at or out of the home, and more. By launching this web site, DNP aims to promote the sales expansion of digital cameras and printers, and to increase sales of DNP's sublimation transfer materials.

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. and its consolidated subsidiaries, hereinafter referred to as DNP, included in this annual report. The consolidated financial statements were prepared in accordance with generally accepted accounting principles in Japan.

INTRODUCTION

Our Principle

As the DNP management, our mission is to maximize our shareholder value. And to accomplish this, we will implement plans to further develop all the businesses in which we are involved, and increase DNP's corporate value. We believe that these are in line with plans to maximize DNP's long-term cash flow, maintain our strong financial position through a sound capital structure and financial strategies, keep an eye on our cost of capital, and invest strategically in highly profitable areas.

To accomplish such goals, we should follow our basic action guideline that has been the backbone of DNP for the past 125 years: develop outstanding technology that is useful to society, provide original products and services, and aim to steadily expand our corporation by contributing to social prosperity and the happiness of all the people with whom we are involved. We firmly believe that the best means to create new values for all with a stake in DNP, as well as the only way to expand DNP's corporate value and shareholders' profit, is to keep putting relentless efforts into being the leader in the new information culture in our strategic business fields. Such strategic business fields are where we can fully utilize our core competence to create, from a global perspective, information needed by society and to develop technologies to improve the quality of that information.

DNP

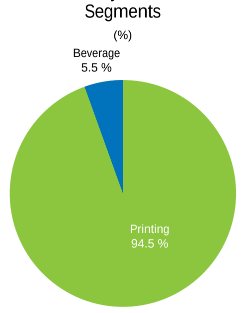
DNP's concept is to expand on printing fields. Our foundation is our printing technology, which we apply to packaging, decorative materials and other operations. We also apply our advanced plate-making technology to manufacturing electronics products such as photomasks. Currently engaged in a wide range of operations stemming from conveying information, we lead the world as a comprehensive printing company, boasting of having the top market share in a number of fields.

When we use the terms "we" and "our" in this annual report, we mean Dai Nippon Printing Co., Ltd. and its consolidated subsidiaries, unless otherwise specified.

DNP's consolidated segment consists of printing operations and a soft-drink manufacturing operation. All of our operations involving printing technology and its applications are part of the printing operations. Our other operation, soft-drink manufacturing operation at Hokkaido Coca-Cola Bottling Co., Ltd., widely differs in content from the printing operations. The operation, however, has played an important role in providing our printing division with useful market information for building new strategies. The management therefore is not reexamining the status of the soft-drinks manufacturing operation. This fiscal year, the printing operations accounted for 94.5% of the sales while the soft-drink manufacturing operation accounted for 5.5%.

Our consolidated statement this fiscal year includes 51 consolidated subsidiaries and 9 affiliated companies.

Net Sales by Consolidated Segments



Our Business

Although we are involved in the soft-drink manufacturing operation in Hokkaido, all of our strategic operations are centered around our printing technology and are part of our printing operations, which is a consolidated segment. The printing operations are categorized into three divisions: information media, lifestyle products, and electronic components and information media supplies. We are also the No.1 printing company in the world in terms of sales.

Our information media operations are involved mainly in the printing of books and magazines, commercial materials such as catalogs and flyers, as well as a wide range of other printing products such as securities and business forms. In addition, we have applied our printing technology to cards such as smart cards to advance into new fields. Presently, we are proud of having the highest market share and sales in Japan's printing industry.

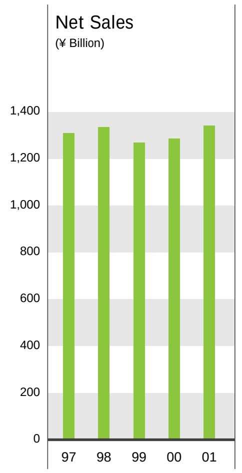
Meanwhile, in our lifestyle products operations, we apply our printing technology to packaging and materials other than paper such as decorative materials. Praised for our advanced technology, we have also secured ourselves a position as a company pioneering in this field.

Our electronic components and information media supplies operations are involved in the manufacturing of a variety of products applying our advanced platemaking and printing technologies. The products include electronics-related products such as shadowmasks and color filters, thermal materials for facsimile and electrodes for lithium-ion rechargeable batteries. Many of our products enjoy a top market share in the world.

Forward-Looking Statements

Words such as "believe," "anticipate," "estimate," "expect" that are used in this annual report, 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 non-historical. It is possible that 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.

The management deemed these forward-looking statements reasonable at the time of the creation of this annual 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 by publicly announcing revisions.



RESULTS OF OPERATIONS

Business Environment

The Japanese economy this fiscal year had some indexes, including corporate income and capital investment, show signs of hope in the first half of the year. In the latter half of the fiscal year, however, the U.S. economy slowdown and Japan's bad debt problems, among other factors, caused the Japanese economy to gradually slow down. Market environment did not improve with looming fears of unemployment and stumped growth in individual incomes. Consumer spending refused to recover while prices dropped and competition intensified. The business environment, overall, was very harsh.

In our strategic business field of printing operations as well, lower order prices and smaller order lots were the overall trend. In the latter half of the fiscal year, a world-scale adjustment in the production of computers and other related products triggered by the slowdown of the U.S. economy began to show its effects.

Overview

To meet the challenges posed by such a harsh business environment and to respond to rapid changes taking place in the world, the DNP management has been working aggressively since the previous fiscal year on reforming the company's business structure and cost structure. This fiscal year, we continued on our company-wide efforts to implement two reforms.

First, to reform our business structure, in our aim to concentrate our resources in growth fields, we rearranged and integrated our production system to respond to market trends. In each of our fields, we strove to expand our operations into the future by building an infrastructure for a network business, developing environmentally friendly products, and building a new color filter plant to enhance our production ability. To reform our cost structure, we strove to improve management efficiency by stressing the importance of cash flow, and worked aggressively to introduce new equipment to streamline our operations, integrate production lines and to downsize personnel.

As a result, the extremely harsh business environment caused by falling order prices notwithstanding, our advancement into growth fields bore fruit this fiscal year in the form of a 4.3% increase in net sales to ¥1,342,035 million. We also managed to maintain our operating income at the previous year's level at ¥85,941 million, a 0.1% increase.

Due to changes in Japan's accounting standards this fiscal year, we employed retirement benefit accounting and posted expenses for amortizing the difference at the time of introducing the new accounting standards. The resulting increase in other expenses led to a 14.4% decrease in net income this fiscal year to ¥33,409 million.

		March 2001	March 2000	March 1999
Net sales		¥ 1,342,035	¥ 1,286,703	¥ 1,269,543
Gross profit margin		18.7%	19.3%	18.6%
Operating income margin		6.4%	6.7%	5.5%
Income before income taxes		¥ 69,116	¥ 79,199	¥ 77,703
Net income		33,409	39,034	30,493
EPS	— primary	43.99	51.40	40.15
	— fully diluted	43.45	50.47	39.54

(Yen in millions, except EPS)

Net Sales

This fiscal year, our net sales increased 4.3%, or ¥55.33 billion, over the previous fiscal year to ¥1,342.03 billion.

With order prices continuing to fall, our operations this fiscal year experienced split results: ones that secured increased income through vigorous sales activities and proposals that met the needs of society and clients, and ones whose income decreased compared with the previous year due to a decline in demand.

Of the operations that contributed to our increase in income, the biggest contribution was made by our commercial printing operations with POP (point of purchase) and pamphlet printing leading among the overall favorable sales, reflecting a 7.2% increase over the previous year in Japan's advertisement expenses. Other major contributions were made by electronics-related products such as color filters and photomasks, both of which sold particularly well, and by packaging-related products that showed an overall growth mainly with paper containers and film packaging.

On the other hand, the biggest factor in the decrease in net sales among operations whose income decreased this fiscal year was our soft-drink manufacturing operation that was badly affected by the ailing Hokkaido economy. Another operation that decreased in income was our business-form-related operations whose card business decreased, despite favorable sales among its securities-related and IPS (Information Processing Service) businesses.

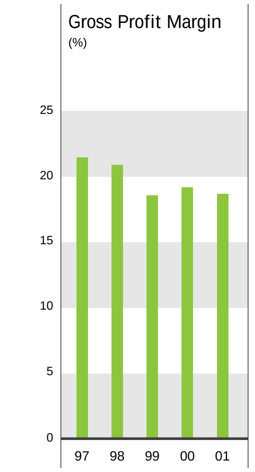
We estimate that the effect the falling order prices had on net sales throughout the fiscal year was about ¥32.2 billion.

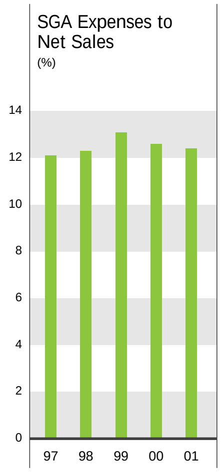
Cost of Sales

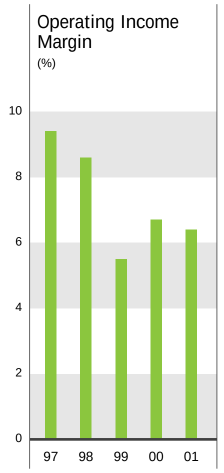
Cost of sales this fiscal year increased 5% to ¥1,091.39 billion while the percentage to net sales increased from the previous year's 80.7% to 81.3%.

This fiscal year, we implemented cost cutbacks particularly among electronics-related operations, integrating and streamlining production lines and reexamining flows between processes. Despite such efforts, the cost percentage, which initially decreased during the first half of the fiscal year, increased in the latter half of the year due mainly to the drop in order prices that affected all of our divisions. The effect of the drop in order prices was felt throughout the fiscal year in almost all of our operations, although the downward trend turned moderate during the latter half of the year. As previously noted, we estimate that the demand for unit price reductions resulted in a ¥32.2 billion decrease in net sales. This was a factor in the 1.9% increase in our cost percentage which, due to our cost structure reform, should have decreased instead for the second consecutive year.

Another factor that resulted in raising our cost percentage this fiscal year was the price of printing paper that rose on the average 3.5% over the price of the previous year. Because one of our core operations, printing on paper, involves a major business, commercial printing, the price of paper purchased by DNP affects us in that the paper-purchasing price is included in the price of the printed products we provide our clients. Upon holding negotiations with our clients from the beginning of the fiscal year, we were able to pass on about half of the increase in the price of paper to the sales price of our products. However, because we could not pass on the entire increased amount, we have posted about ¥2.8 billion as our increase in costs.







Selling, General and Administrative Expenses

Selling, general and administrative expenses this fiscal year increased ¥2.9 billion, or 1.8%, over the previous fiscal year to ¥164.7 billion. Their percentage of net sales, however, improved from 12.6% to 12.3%.

Our company-wide efforts to cut back on costs have resulted in reducing the percentage for the second consecutive year. As with the previous year, the greatest contributing factor to the reduction this fiscal year was the cutback in personnel expenses. Due primarily to this factor, our salaries and compensation dropped 1.8% to ¥42.08 billion.

Operating Income

Our operating income rose 0.1% to ¥85.94 billion, while our operating income margin fell from 6.7% to 6.4%.

Other Income (Expenses)

This fiscal year, we recorded net other expenses of ¥16.83 billion. The amount of expenses increased ¥10.14 billion over the previous year.

The largest factor contributing to the increase in other expenses was the adoption of a new accounting standard for employees' retirement benefits, following the changes in Japan's accounting standards. At the beginning of this fiscal year, we had a shortfall of ¥45.48 billion as a transitional obligation. The new standard demands that this transitional obligation be amortized over a voluntary period of 15 years or less. Although we initially considered writing off the entire amount this fiscal year, we have decided to amortize the amount evenly over a five-year period to maintain the stability of our shareholders' equity and income. Following the introduction of this retirement benefit accounting this fiscal year, we contributed shares owned by DNP to set up a retirement benefit trust. Thus, ¥15.43 billion in creating the trust was posted as an extraordinary expense, which, added to the shortfall amortization expense of ¥6.06 billion for this fiscal year, totals ¥21.49 billion in expenses posted. Meanwhile, since we realized profits of ¥11.32 billion between the book values and fair values of the contributed marketable securities, our net losses accompanying the introduction of retirement benefit accounting this fiscal year came to ¥10.17 billion. Over a period of four years starting the next fiscal year, we will be posting ¥6.05 billion in other expenses every year as an annual amortization amount for the transitional obligation.

Also introduced this fiscal year was the current-value accounting of securities. Following this change, we posted ¥5.31 billion in valuation losses in investment securities, stocks of affiliated companies, and others.

Due to the above factors, our income before income taxes this fiscal year decreased 12.7% compared with the previous year to ¥69.12 billion.

Income Taxes

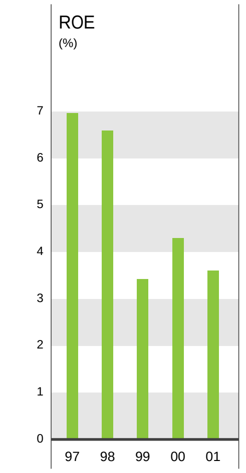
Our income taxes for this fiscal year dropped by 9.9%compared with the previous fiscal year to ¥34.29 billion. The effective tax rate, on the other hand, increased from 48.1% to 49.6%.

The main reason behind the increase is that during this fiscal year, posting losses at our consolidated subsidiaries caused our effective tax rate to increase by 7.4 percentage points while in the previous year, losses at subsidiaries caused the effective tax rate to increase by 4.6 percentage points.

Net Income

As a result of the above, our net income decreased 14.4% over the previous year to ¥33.41 billion, This also lead to a decline in our ROE from 4.21% to 3.55%.

Our net income per share also decreased from ¥51.40 in the previous fiscal year to ¥43.99, and fully diluted net income per share also decreased from ¥50.47 to ¥43.45.



SEGMENT INFORMATION

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

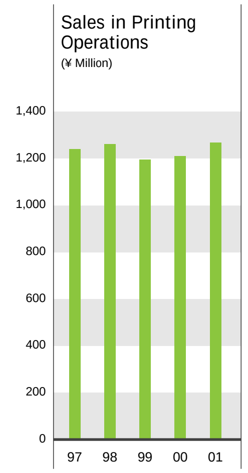
The printing operations consist of three divisions according to products: information media, lifestyle products, and electronic components and information media supplies.

Printing Operation

Printing

	March 2001	March 2000	March 1999
Net sales	¥ 1,268,415	¥ 1,210,028	¥ 1,194,729
Operating income	82,546	79,931	63,450
Operating income margin	6.5%	6.6%	5.3%

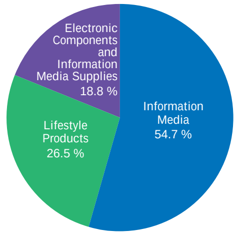
(Yen in millions)



This fiscal year, the overall business environment for our printing operation was harsh. Intensified competition among companies resulted in a drop in order-unit prices and the size of lots shrinking. Our consolidated net sales, however, grew 4.8% to ¥1,268.41 billion due primarily to strong sales in commercial printing, packaging-related printing and electronic components and information media supplies. Our operating income also increased 3.3% to ¥82.54 billion, while the operating income margin decreased slightly from 6.6% to 6.5%.

The printing operations are a segment that comprises 94.5% of net sales and 96% of 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.

Sales by Division*
(%)



* Non-consolidated figures

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

Information Media Division

Amid the stagnating Japanese economy, our business environment this fiscal year was significantly harsh with no signs of improved consumer spending, dropping order prices and shrinking order-lot sizes. Our commercial printing, however, did remarkably well in sales, raising the overall net sales of the Information Media Division by 3.8% to ¥635.90 billion.

This division is divided into three groups according to products on which printing is implemented: books and publications; commercial printing; and business forms. Books and magazines accounted for 29% of the division's sales this fiscal year while commercial printing and business forms accounted for 56% and 15%, respectively.

To reform the business structure of the Information Media Division, we worked on several specific measures this fiscal year. One such measure was to position network business as our field of importance and enhance our infrastructure, establishing a C&I Solution Square and an Internet Data Center equipped with an advanced security system to expand our Internet business.

■ Books and magazines

This fiscal year, the sales of books and magazines in Japan's publishing industry dropped 2.3% and 2.8%, respectively, continuing on its fourth consecutive year of shrinking sales. This also affected our books and publications printing operations. Despite maintaining the level of the previous year's sales in book printing sales, we saw a drop in the sales of our publications printing. In addition, factors such as demands to reduce unit prices drove our overall sales down by about 0.5% from the previous fiscal year.

The number of new magazines published this fiscal year was 205, an increase of 40 magazines over the previous year's 165. We received orders for 59 of the new magazines. Meanwhile, the number of magazines discontinued this fiscal year was 92, of which 30 were our accounts.

For the time being, we believe that we cannot anticipate a sudden recovery in the publishing industry. Despite this situation inhibits our operation's sales from growing, we intend to secure our income by promoting our cost cutback efforts.

■ Commercial printing

This fiscal year, advertising expenses in Japan increased by 7.2% to a total of ¥6,110.2 billion. There was a boost in companies' advertising activities which led to a significant increase in the volume of our orders. Consequently, our sales in commercial printing increased by about 8%. On the other hand, the situation for our income was difficult, with competition for securing orders intensifying and the price of printing paper increasing.

We experienced an overall increase in income particularly with a double-digit growth over the previous year in the sales of sales-promotion products such as POP (point of purchase) and premiums, as well as of pamphlets. Although income from catalog printing decreased, income from flyers increased.

■ Business forms

Net sales this fiscal year in business-forms printing operations decreased about 3% compared with the previous year. Lulled by a slight recovery in the stock market, however, there was an increase in additional investments and in the number of companies making initial public offerings. Orders also increased along with mergers and corporate name changes. Additionally, our IPS operation experienced a steady growth in the demand for bill-issuing services for individuals and personalized direct mail, with our pool of clients expanding with communications companies, financial and securities companies and travel agencies.

On the other hand, the number of orders we received for credit cards dropped this fiscal year, along with their unit prices, as a reaction to the previous year's concentrated demand for credit cards following the conclusion of the Year 2000 compliance effort during which credit card issuers refrained from issuing cards. Thus, our net sales this fiscal year decreased. We believe that the effect of the Year 2000 problem on the number of credit card orders will have completed its cycle this fiscal year; we anticipate a recovery in demand starting from the next fiscal year.

We also received new orders for smart cards, such as the ETC, the highway card in Japan. It is anticipated that credit cards and debit cards will rapidly be replaced with smart cards from the fiscal year ending March 2004. To meet that demand, we intend to continue to maintain a system that can appropriately handle increased demands in the future.

Lifestyle Products Division

Sales of our lifestyle products increased by 2.9% over the previous fiscal year to ¥307.8 billion. The division consists of two groups of products: packaging, which is mainly packages for snacks and beverages, and decorative materials, which are printed construction-related materials. During this fiscal year, the packaging accounted for 73% of the division's sales while the decorative materials accounted for 27%.

■ Packaging

This fiscal year, sales of our packaging products increased about 5%. The sales increase was due to our focusing on developing and marketing environmentally friendly products that are recyclable or compliant with environmental preservation needs. Thus, despite decreased sales of paper containers and cups for snacks and yogurt, sales of large-scale sterile filling systems for beverages, film packaging such as shrink film, liquid paper containers for alcohol beverages, and IB films steadily increased.

We anticipate a further increase in demand for environmentally friendly products in the future, and will continue to strive to develop new products that meet the needs of society.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Dai Nippon Printing Co., Ltd. Annual Report 2001

Decorative Materials

Housing starts for the fiscal year ended March 2001 decreased by 1.7% due to Japan's unstable employment situation and fears of assets deflation. Net sales decreased by about 2% compared with the previous year due not only to a declining demand but also to a drop in order prices.

Demand for environmentally friendly products also grew in this field. Because we expect this trend to continue in the future, we plan to put our efforts into developing environmentally friendly products such as decorative sheets that do not contain vinyl chloride.

Electronic Components and Information Media Supplies Division

Despite drops in the sales volume and the prices of some products, sales of electronic components and information media supplies this fiscal year increased 8.4% over the previous year to ¥218.5 billion, supported by an overall boost in demand. The sales of electronic components accounted for 80% of this division, while sales of information media supplies accounted for the remaining 20%.

Electronic components

DNP's Global Market Share in Electronics Operations

Product		Global Market Share (%) FY ended March 2001
Shadowmask*	CDT+CPT (Excluding house-manufactured products)	48
	CDT (Excluding house-manufactured products)	58
Color filter	Excluding house-manufactured products	27
Projection screen		53
Photomask	Excluding house-manufactured products	26
Leadframe	Etching type	30

* CDT= Masks for PCs; CPT= Masks for TVs

This fiscal year, sales of electronic components increased about 10% buoyed by a significant increase in the sales of color filters, projection screens and photomasks, among others. Due to a slump in the semiconductor industry and inventory adjustment of personal computers in the latter half of the fiscal year, however, sales of lead frames and shadowmasks decreased.

Although the unit price of color filters continued to fall, their sales volume increased significantly by about 30% as did sales by about 20%, due to the rapidly growing popularity of LCD screens and diverse mobile products. Demand for color filters is expected to grow continuously and considerably along with the growing popularity of mobile telephones and PDA, in addition to computer displays. Thus, even when keeping the factor of dropping prices in mind, we expect a huge increase in sales. This fiscal year, to enhance our ability to supply products and to cut back on costs, we established a new plant in Hiroshima. In Taiwan, where demand for color filters is expected to expand, we licensed Sintek Corporation, a local Taiwanese company, to use our technology. We intend to build a supply system of DNP-brand products in the area.

Sales of projection screens also increased by about 20% as they did the previous fiscal year. We expect their sales to continue to grow by double-digits in the next fiscal year.

Another product that sold well this fiscal year was photomasks. This was due to Hitachi and Toshiba – who used to manufacture their own photomasks – now placing their orders with us for photomasks to be used in semiconductor-related products. With increased demand also for our cutting-edge masks, our sales increased by about 30%. For the next fiscal year, we have established a new agreement with Fujitsu to receive orders for the photomasks it had been manufacturing on its own. As we anticipate a steady growth in the demand for value-added, cutting-edge masks, this fiscal year, we also have concluded an agreement involving the provision of a steady supply of photomasks with UMC, a major semiconductor consignment manufacturer in Taiwan.

On the other hand, sales of shadowmasks decreased by about 9% due to the drop in order prices and inventory adjustment of personal computers. We anticipate a further drop in the demand for shadowmasks as more personal computer displays are being replaced by flat panels using LCD monitors. Thus, we will be producing more shadowmasks for consumer TVs, switching from our prior priority of producing them for personal computers. In addition, we have worked to cut back on costs this fiscal year in our production system by building a state-of-the-art production line in our Mihara Plant in Hiroshima Prefecture while shutting down an aging plant. Concentrating production on our new, efficient production line has lowered costs.

Sales of lead frames also decreased by about 3% this fiscal year, affected by the slump in the semiconductor industry in the latter half of the fiscal year. We expect the semiconductor industry slump to continue to affect us seriously for some time to come. This fiscal year, in our efforts to enter a new field and expand our semiconductor business, we, along with Toshiba, jointly established DT Circuit Technology, a new company that handles multilevel circuit boards.

Information media supplies

This fiscal year, sales of our information media supplies grew about 3% with increased sales in sublimation transfer ribbons for use with ID photos and other purposes, despite a slight decrease in the sales of liquid-thermal transfer ribbons for plain-paper facsimile. Sales of both types of ribbons are expected to continue to grow, along with the use of electrodes for lithium-ion rechargeable batteries moving mainstream. DNP has the technology to produce lithium-ion electrodes at 10 times the speed of conventional methods. We plan to take full advantage of this technology to increase our orders.

Beverage

Beverage

	March 2001	March 2000	March 1999
Net sales	¥ 73,620	¥ 76,675	¥ 74,814
Operating income	3,395	5,956	6,159
Operating income margin	4.6%	7.8%	8.2%

(Yen in millions)

The business environment for our soft-drink manufacturing operation was harsher than ever before with intense competition, Hokkaido's ailing economy, and a drop in tourist demand caused by the eruption of Mt. Usu. To counter the situation, we introduced new products and strove to aggressively expand sales through various promotions as the official soft-drink maker for the Sydney Olympics. We also improved productivity and conserved energy by renovating our facilities for our diversified products and by reexamining our personnel configurations. Despite such efforts, sales of beverages decreased by 4% compared with the previous fiscal year to ¥73.62 billion. Operating income also decreased 43% to ¥3.39 billion.

The sales competition in this industry is expected to intensify further into the future. We, however, intend on expanding consumer demand by building a streamlined, efficient corporate system to quickly meet the needs of the market, setup more vending machines and promote sales through campaigns and other means.

LIQUIDITY AND CAPITAL RESOURCES

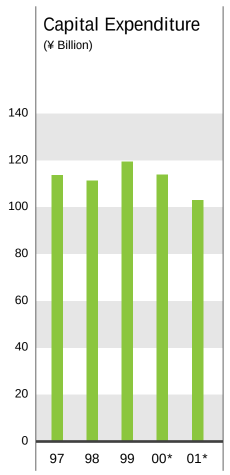
We believe that the foundation of our financial strength and an important factor in enhancing our value as a corporation is our ability to generate cash from our operating activities to enable us to continue investing in growth areas. We, the management, remain convinced that in the fiscal year ending March 2002, we will continue to secure sufficient liquidity needed for DNP to maintain and expand its business.

Cash Flow

Free cash flow is cash flow that we, the management, 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 ¥43.84 billion.

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

(Yen in million)



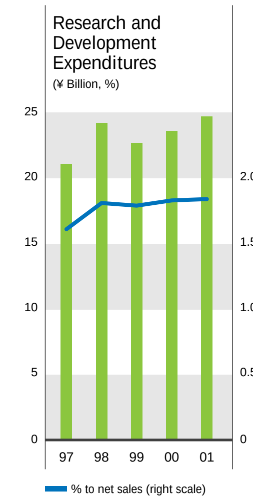
* The figure for the years ended March 2000 and 2001 includes capital expenditures for intangible assets

This fiscal year, cash flows from operating activities decreased 5% from the previous fiscal year to ¥116.73 billion. This was because of the increase in accounts receivables with settlements carried over to the next year due to the last day of this fiscal year having fallen on a weekend. We estimate this to have had an effect of about ¥4.0 billion.

Cash we used in our investing activities increased by 7.7% over the previous fiscal year to ¥118.56 billion. This increase was due primarily to the increase of our time-deposit balance.

Meanwhile, total net cash we used in our financing activities this fiscal year increased 78% over the previous fiscal year to ¥29.64 billion, due primarily to the ¥19.89 billion redemption of convertible debentures. Because of these activities and the ¥498 million in cash from the newly consolidated subsidiaries, our cash and cash equivalents at the end of the fiscal year decreased by 16.1% to ¥157.07 billion. When the aforementioned factor of the last day of the fiscal year falling on a banking holiday and its effect of about ¥20 billion is taken into consideration, the balance at the end of the fiscal year would be a decrease of 5.5% compared with the same period the previous year.

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. We generally try to 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.

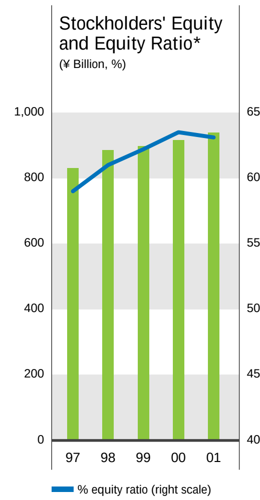


The Balance Sheet

For DNP to increase its corporate value, we, the management, always arrange our capital structure to suit the business environment and to minimize our cost of capital.

	March 2001	March 2000*
Total assets	¥ 1,489,871	¥ 1,442,307
Current ratio	1.65 x	1.60 x
Working capital-to-net sales	0.21 x	0.20 x
Debt/equity ratio	0.09 x	0.08 x
Leverage ratio	1.59 x	1.56 x
Book value per share (yen)	¥ 1,237.0	¥ 1,206.4

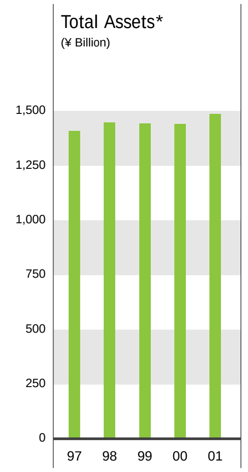
(Yen in millions except book value per share)

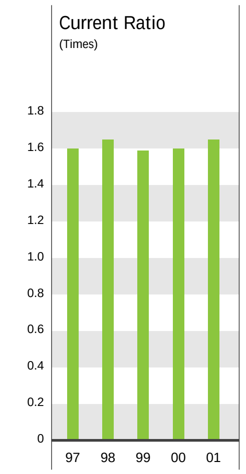


DNP's total assets at the end of this fiscal year increased 3.3% over the previous year to ¥1,489.87 billion.

Mainly because the aforementioned factor of the last day of the fiscal year falling on a banking holiday and settlement dates moved into the following fiscal year, trade receivables among current assets increased by 9.3% over the previous fiscal year to ¥433.41 billion. This also caused cash and cash equivalents at the end of this fiscal year to decrease by 16.1% to ¥157.07 billion. Note that inventory assets increased by 11.1% to ¥85.93 billion due primarily to the 16.9% increase in work in process to ¥35.81 billion, caused by increased sales. Because of the above factors, total current assets increased by 7.8% over the previous year to ¥721.34 billion.

* Following the adoption of a new accounting standard effective April 1, 2000, foreign currency translation adjustments were made in stockholders' equity; for comparison purposes, such adjustments were also made to the figures for 2000.





Investments and advances at the end of this fiscal year decreased by 3.8% to ¥154.85 billion. The decrease was due primarily to the ¥5.54 billion decrease in investment securities that resulted from the establishment of a retirement benefit trust, among others.

Property, plant and equipment remained nearly the same as at the end of the previous fiscal year, decreasing by 0.2% to ¥561.01 billion. The total figure at the end of this fiscal year remained hardly unchanged because DNP continues to steadily invest a total of ¥90 billion to ¥100 billion every year in property, plant and equipment mainly in growth fields.

Among liabilities, our current liabilities at the end of this fiscal year increased by 4.4% over the previous year to ¥436.09 billion. This was caused by other liabilities – namely, accrued liabilities for equipment – to increase. The 32.1% increase of short-term bank loans to ¥16.87 billion was due primarily to subsidiaries such as Tien Wah Press in Singapore and DNP Hong Kong increasing loans to meet rising demands for operating funds.

This fiscal year, ¥32.6 billion in net liabilities for employees' retirement benefits was posted as long-term liabilities on our balance sheet, following the introduction of retirement benefits accounting. Our total long-term liabilities increased by 10.8% over the previous year to ¥86.01 billion, mainly because of this. Total liabilities at the end of this fiscal year also increased 5.4% to ¥522.10 billion.

Meanwhile, our stockholders' equity at the end of this fiscal year increased by 2.5% to ¥939.44 billion due primarily to our net income this fiscal year.

Currently, the only long-term debentures DNP has outstanding are convertible debentures to be redeemed by the fiscal year ending March 2004. DNP's capital structure and financial strategies are rated as follows by rating agencies.

	Rating & Investment Information, Inc	Moody's
Convertible debentures maturing in Sep. 2003	AAA	Aa1

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 10.5% of our net sales consisted of overseas sales, and to that extent, we were exposed to the risks of 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.

* Following the adoption of a new accounting standard effective April 1, 2000, foreign currency translation adjustments were made in stockholders' equity; for comparison purposes, such adjustments were also made to the figures for 2000.

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 by 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 limits of transactions related to all our derivative transactions within the range set forth in our internal rules.

In addition, because all of our derivative transactions are over-the-counter transactions, they are accompanied by the credit risks of the banks involved. However, all transactions we engage in are with banks of high credit standing. Hence we are assuming 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 PROTECTION

We address global environmental issues on a group-wide basis under our Environmental Declaration: "We will make every effort to protect the prosperity and future of the human race by preserving the environment and using resources effectively." In 1995, we received the "Global Environment Award" from the Minister of International Trade & Industry.

In 1993, we introduced our own environmental management system, the Eco Report System, to help preserve the environment. Further, in 1999, we employed our environmental accounting system to measure, among other things, environmental capital expenditures, the volume and value of energy consumption, waste emissions, expenses for contracting out disposals and proceeds from the recycling sale of valuable materials. Through this accounting system, we evaluate and confirm the effectiveness of our environmental management and determine the priority of the issues to be addressed. Before the end of 2001, we plan to publish our environmental accounting statements.

We are now working to obtain ISO 14001 certification and have already obtained it at five sites. We also plan to lead the industry in complying with all environmental standards. It is our belief that these activities will not have a major negative impact on our financial position.

Selected Financial Data (unaudited)

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries

	2001	2000	2000*	1999	1998	1997	1996	1995	1994
Income Statement Data (¥ million)									
Net sales	**¥ 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	**1,091,386**	1,039,006		1,033,926	1,056,962	1,028,614	983,301	945,570	918,386
Gross profit	**250,649**	247,697		235,617	279,642	281,486	261,999	247,257	227,149
Selling and administrative expenses	**164,708**	161,811		166,008	172,824	170,298	161,609	156,536	147,180
Operating income	**85,941**	85,886		69,609	106,818	111,188	100,390	90,721	79,969
Income before income taxes and minority interests	**69,116**	79,199		77,703	100,634	107,394	98,103	101,542	82,980
Net income	**33,409**	39,034		30,493	56,539	56,165	52,974	49,200	40,808
Balance Sheet Data (¥ million)									
Total assets	**¥ 1,489,871**	¥ 1,442,307	¥ 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	**561,017**	561,898		570,860	536,364	501,622	461,158	434,809	417,868
Long-term liabilities	**86,012**	77,637		100,695	100,214	97,340	106,792	113,295	118,029
Total liabilities	**522,105**	495,541		518,323	538,113	553,172	532,451	514,117	494,544
Stockholders' equity	**939,441**	916,253	925,646	898,646	885,507	831,262	780,484	738,243	699,860
Other Selected Data (¥ billion)									
Capital expenditures	**¥ 103.05**	¥ 113.86		¥ 119.37	¥ 111.34	¥ 113.66	¥ 93.65	n.a.	n.a.
R&D expenditures	**24.66**	23.60		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Depreciation expenses	**94.31**	94.59		82.80	73.91	67.58	62.42	n.a.	n.a.
Common Share Data (¥, shares)									
Earnings per share - primary	**¥ 43.99**	¥ 51.40	¥	¥ 40.15	¥ 74.49	¥ 74.52	¥ 70.63	¥ 65.63	¥ 54.45
Earnings per share - fully diluted	**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	17.00	16.00	15.00	14.00
Book value per share	**1,236.96**	1,206.42	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	753,940,533	750,110,275	749,779,633	749,613,920
Financial Ratios (%, times)									
As a percent of net sales:									
Gross profit	**18.68%**	19.25%		18.56%	20.92%	21.49%	21.04%	20.73%	19.83%
Selling, general and administrative expenses	**12.27**	12.58		13.08	12.93	13.00	12.98	13.12	12.85
Operating income	**6.40**	6.67		5.48	7.99	8.49	8.06	7.61	6.98
Income before income taxes and minority interests	**5.15**	6.16		6.12	7.53	8.20	7.88	8.51	7.24
Net income	**2.49**	3.03		2.40	4.23	4.29	4.25	4.12	3.56
Return on equity	**3.60**	4.30	4.28%	3.42	6.59	6.97	6.98	6.84	5.96
Current ratio	**1.65x**	1.60x		1.59x	1.65x	1.60x	1.62x	1.65x	1.62x
Debt-to-equity ratio	**0.06x**	0.06x	0.06x	0.08x	0.08x	0.09x	0.11x	0.12x	0.14x

* These year 2000 figures are figures before foreign currency adjustments were made in this annual report for comparison purposes.

Financial Statements

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries: March 31, 2001 and 2000	Millions of yen 2001	2000	Thousands of U.S. dollars (Note 3) 2001
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 157,078	¥ 187,321	$ 1,266,758
Time deposits	32,380	1,726	261,129
Securities	2,020	275	16,290
Trade receivables (Note 10)	433,417	396,467	3,495,298
Allowance for doubtful receivables	(5,806)	(6,901)	(46,822)
Inventories (Note 6)	85,931	77,340	692,992
Prepaid expenses and other current assets (Notes 10 and 13)	16,327	13,097	131,669
Total current assets	721,347	669,325	5,817,314
Investments and advances:			
Non-consolidated subsidiaries and associated companies (Note 10)	10,486	10,874	84,565
Investment securities (Note 5)	142,804	148,345	1,151,645
Other	1,568	1,783	12,645
Total investments and advances	154,858	161,002	1,248,855
Property, plant and equipment, at cost (Note 7):			
Land	105,176	102,175	848,194
Buildings	391,616	377,687	3,158,194
Machinery and equipment	866,836	828,398	6,990,613
Construction in progress	6,873	7,277	55,427
Total	1,370,501	1,315,537	11,052,428
Accumulated depreciation	(809,484)	(753,639)	(6,528,097)
Net property, plant and equipment	561,017	561,898	4,524,331
Other assets (Note 13)	52,649	50,082	424,589
Total assets	¥1,489,871	¥1,442,307	$12,015,089

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

Dai Nippon Printing Co., and Consolidated Subsidiaries: March 31, 2001 and 2000	Millions of yen 2001	2000	Thousands of U.S. dollars (Note 3) 2001
Liabilities and Stockholders' Equity			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 16,870	¥ 12,766	$ 136,048
Current portion of long-term debt (Note 7)	1,101	20,749	8,879
Trade payables (Note 10)	295,707	291,756	2,384,734
Accrued expenses (Note 10)	34,530	32,122	278,468
Income taxes payable (Note 13)	22,278	22,481	179,661
Other current liabilities	65,607	38,030	529,089
Total current liabilities	436,093	417,904	3,516,879
Long-term liabilities:			
Long-term debt (Note 7)	53,340	51,347	430,161
Liability for retirement benefits (Note 8)	32,605	25,987	262,944
Other long-term liabilities (Note 13)	67	303	540
Total long-term liabilities	86,012	77,637	693,645
Minority interests	28,325	30,513	228,427
Contingent liabilities (Note 16)			
Stockholders' equity:			
Common stock, ¥50 par value -			
Authorized : 1,200,000,000 shares;			
Issued and outstanding : 759,480,693 shares in 2001 and 2000 (Notes 7 and 9)	114,464	114,464	923,097
Capital surplus (Note 9)	144,898	144,898	1,168,532
Retained earnings (Note 9)	685,760	666,287	5,530,323
Foreign currency translation adjustments	(5,678)	(9,393)	(45,790)
Treasury stock, at cost	(3)	(3)	(24)
Total stockholders' equity	939,441	916,253	7,576,138
Total liabilities, minority interests and stockholders' equity	¥1,489,871	¥1,442,307	$12,015,089

Consolidated Statements of Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2001 and 2000	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Net sales (Note 17)	¥ 1,342,035	¥ 1,286,703	$10,822,863
Cost of sales (Notes 11, 14 and 17)	1,091,386	1,039,006	8,801,500
Gross profit	250,649	247,697	2,021,363
Selling, general and administrative expenses (Notes 11, 14 and 17)	164,708	161,811	1,328,290
Operating income	85,941	85,886	693,073
Other income (expenses) (Note 12)			
Interest and dividends income	3,103	2,882	25,024
Interest expenses	(1,499)	(1,691)	(12,089)
Equity in earnings of associated companies	128	17	1,032
Net loss on disposal of property, plant and equipment	(5,897)	(4,972)	(47,556)
Net gain on sales of marketable securities and investment securities	430	12,794	3,468
Loss on devaluation of investment securities	(3,372)	(4,738)	(27,194)
Payments of special retirement benefits	(684)	(3,985)	(5,516)
Loss on liquidation of subsidiaries	(2,526)	(1,455)	(20,371)
Special pension costs	-	(1,676)	-
Gains on contributions of securities to employees' retirement benefits trust (Note 8)	11,317	-	91,267
Amortization of transitional obligation for retirement benefits (Note 8)	(6,058)	-	(48,855)
Contribution of securities to employees' retirement benefits trust (Note 8)	(15,432)	-	(124,452)
Loss on devaluation of inventories	(3,222)	(2,191)	(25,984)
Other	6,887	(1,672)	55,540
	(16,825)	(6,687)	(135,686)
Income before income taxes and minority interests	69,116	79,199	557,387
Income taxes (Note 13):			
Current	37,077	40,509	299,008
Deferred	(2,784)	(2,435)	(22,452)
	34,293	38,074	276,556
	34,823	41,125	280,831
Minority interests	(1,414)	(2,091)	(11,403)
Net income	¥ 33,409	¥ 39,034	$ 269,428

	Yen 2001	Yen 2000	U.S. dollars (Note 3) 2001
Net assets per common share	¥ 1,236.96	¥ 1,218.79	$ 9.98
Net income per common share:			
Primary	43.99	51.40	0.35
Fully diluted	43.45	50.47	0.35

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, 2001 and 2000	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Common stock:			
Balance at beginning of year	¥ 114,464	¥ 114,464	$ 923,097
Balance at end of year	¥ 114,464	¥ 114,464	$ 923,097
Capital surplus:			
Balance at beginning of year	¥ 144,898	¥ 144,898	$ 1,168,532
Balance at end of year	¥ 144,898	¥ 144,898	$ 1,168,532
Retained earnings:			
Balance at beginning of year	¥ 666,287	¥ 639,287	$ 5,373,282
Net income	33,409	39,034	269,428
Cash dividends (Note 9)	(13,670)	(13,670)	(110,242)
Bonuses to directors	(230)	(231)	(1,855)
Decrease resulting from change in consolidation scope	(49)	-	(395)
Increase resulting from change in consolidation scope	-	1,867	-
Increase resulting from change in scope of equity accounting	13	-	105
Balance at end of year	¥ 685,760	¥ 666,287	$ 5,530,323

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

Consolidated Statements of Cash Flows

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 69,116	¥ 79,199	$ 557,387
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	94,312	94,588	760,581
Provision for doubtful receivables (net)	(2,380)	880	(19,194)
Provision for retirement benefits (net)	6,618	(3,194)	53,371
Equity in earnings of associated companies	(128)	(17)	(1,032)
Amortization of goodwill	55	309	444
Interest and dividends income	(3,103)	(2,806)	(25,024)
Interest expenses	1,499	1,691	12,089
Net gain on sales of marketable securities and investment securities	(430)	(12,794)	(3,468)
Loss on devaluation of investment securities	3,372	4,738	27,194
Net loss on disposal of property, plant and equipment	5,897	4,972	47,556
Contribution of the securities to employees' retirement benefits trust, at cost	4,115	-	33,185
Decrease (increase) in trade receivables	(36,266)	890	(292,468)
Increase in inventories	(8,454)	(9,745)	(68,177)
Increase (decrease) in trade payables	3,035	(662)	24,475
Other	17,434	12,183	140,597
Sub-total	154,692	170,232	1,247,516
Payments of special retirement benefits	(684)	(3,985)	(5,516)
Payments for income taxes	(37,280)	(43,438)	(300,645)
Net cash provided by operating activities	116,728	122,809	941,355
Cash flows from investing activities:			
Net increase of time deposits	(30,642)	(1,229)	(247,113)
Payments for purchases of marketable securities	(220)	(454)	(1,774)
Proceeds from sales of marketable securities	275	5,927	2,218
Payments for purchases of property, plant and equipment	(74,225)	(109,789)	(598,589)
Proceeds from sales of property, plant and equipment	1,346	1,731	10,855
Payments for purchases of investment securities	(7,225)	(18,518)	(58,266)
Proceeds from sales of investment securities	1,776	20,101	14,323
Interest and dividends received	2,117	2,825	17,072
Other	(11,762)	(10,680)	(94,855)
Net cash used in investing activities	(118,560)	(110,086)	(956,129)
Cash flows from financing activities:			
Net increase in short-term bank loans	3,674	474	29,629
Proceeds from long-term debt	3,754	293	30,274
Repayments of long-term debt	(1,549)	(1,594)	(12,492)
Redemption of convertible debentures	(19,896)	-	(160,451)
Interest paid	(1,493)	(1,691)	(12,040)
Dividends paid	(14,137)	(14,129)	(114,008)
Other	4	(4)	32
Net cash used in financing activities	(29,643)	(16,651)	(239,056)
Effect of exchange rate changes on cash and cash equivalents	734	(1,633)	5,919
Net decrease in cash and cash equivalents	(30,741)	(5,561)	(247,911)
Cash and cash equivalents at beginning of year	187,321	193,128	1,510,653
Cash and cash equivalents of newly consolidated subsidiaries	498	87	4,016
Cash and cash equivalents of subsidiaries excluded from consolidation	-	(333)	-
Cash and cash equivalents at end of year	¥ 157,078	¥ 187,321	$ 1,266,758

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, 2001 and 2000

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 Minister 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 2000 financial statements to conform with current classifications. In addition, the notes to 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 eight 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 excess of cost over underlying net assets at the date of investment in consolidated subsidiaries is included in other assets and is amortized over a period not exceeding ten years.

Translation of foreign currency accounts

Current monetary assets and current monetary 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. Other foreign currency denominated assets and liabilities are translated at historical exchange rates. 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, 2000, the Company and its domestic subsidiaries adopted a new accounting standard for financial instruments and applied it to the accounting and reporting for the marketable and investment securities, except for the valuation of available-for-sale securities at fair value which shall be applied effective April 1, 2001.

The standard requires the Company to classify securities depending on the purpose for holdings securities into three categories and account for the securities as follows: i) trading securities, which are held for the purpose of earning capital gains in the short term, be stated at fair value, and related unrealized gains and losses be included in the income statement, ii) held-to-maturity debt securities, which are held to maturity with the positive intent and ability to hold to maturity, be stated at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, be stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

The Company reviewed the purpose of holding securities at the beginning of the year and classified those into held-to-maturity debt securities and available-for-sale securities which have been presented as either "securities" in current assets or "investment securities" in investments and advances.

Held-to-maturity debt securities are carried at amortized cost. Available-for-sale securities are carried at cost or less if the decline in market value is judged to be other than temporary. Cost is determined by the average method.

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 ($806) or more per unit and less than ¥200,000 ($1,613) 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

Prior to April 1, 2000, the liability for employees' retirement benefits was stated at the amount which would be required if all employees terminated their employment voluntarily at the balance sheet date, less related benefits provided by the pension plan.

Effective April 1, 2000, the Company and several domestic significant consolidated subsidiaries adopted 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 the beginning of the year was 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. As a result, this change increased the net periodic benefit costs by ¥22,606 million ($182,306 thousand) and decreased income before income taxes by ¥22,572 million ($182,032 thousand) as compared with the prior method.

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 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 as to foreign subsidiaries, but not as to domestic companies, as such earnings, if distributed in the form of dividends, are not taxable under current Japanese tax laws.

Net assets and income per common share

Net assets per common share were computed based on the number of shares outstanding at March 31, 2001 and 2000, 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. Supplementally, however, the Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥124=U.S. $1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2001. 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, 2001 and 2000 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
Cash and deposits (excluding time deposits with a maturity over three months)	¥ 155,079	¥ 185,021	$ 1,250,637
Marketable securities	-	1,300	-
Other short-term investment	1,999	1,000	16,121
	¥ 157,078	¥ 187,321	$ 1,266,758

5. Marketable Securities and Investment Securities

The market value of marketable securities and investment securities at March 31, 2001 was as follows:

	Millions of yen 2001	Thousands of U.S. dollars (Note 3) 2001
Carrying value	¥ 113,920	$ 918,710
Market value	121,428	979,258
Unrealized gains	7,508	60,548
Deferred income taxes	(3,153)	(25,427)
Minority interests	(88)	(710)
Net unrealized gains	¥ 4,267	$ 34,411

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets principally consists of non-marketable equity and debt securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

6. Inventories

Inventories at March 31, 2001 and 2000 consisted of the following:

	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Finished products	¥ 34,279	¥ 33,912	$ 276,444
Work in process	35,812	30,643	288,806
Raw materials	15,840	12,785	127,742
	¥ 85,931	¥ 77,340	$ 692,992

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

Short-term bank loans at March 31, 2001 and 2000 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 3.50% per annum for 2001 and 2.39% per annum for 2000.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Yen Conversion price	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Unsecured convertible debentures				
1.5% due 2003	¥ 2,027.00	¥ 19,181	¥ 19,181	$ 154,685
1.8% due 2004	2,677.40	29,663	29,663	239,218
1.8% due 2001	2,677.40	-	19,896	-
Mortgage loans, maturing 2001-2005		3,564	2,582	28,742
Unsecured loans, maturing 2001-2005		2,033	774	16,395
		54,441	72,096	439,040
Current portion of long-term debt		(1,101)	(20,749)	(8,879)
		¥ 53,340	¥ 51,347	$ 430,161

Mortgage loans were secured by property, plant and equipment amounting to ¥1,880 million ($15,161 thousand) and ¥1,989 million at March 31, 2001 and 2000, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 1.01% to 3.30% per annum for 2001 and from 1.25% to 4.70% per annum for 2000, while interest rates on unsecured loans ranged from 1.68% to 8.60% per annum for 2001 and from 1.25% to 8.60% per annum for 2000.

The aggregate annual maturities of long-term debt after March 31, 2001 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2002	¥ 1,101	$ 8,879
2003	19,951	160,895
2004	33,230	267,984
2005	159	1,282
	¥ 54,441	$ 439,040

The above convertible debentures were 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 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 liability 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, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Projected benefits obligation	¥ 186,593	$ 1,504,782
Fair value of plan assets	(106,494)	(858,822)
Unrecognized transitional obligation	(24,232)	(195,419)
Unrecognized actuarial loss	(23,285)	(187,782)
Prepaid pension cost	23	185
Net liability	¥ 32,605	$ 262,944

The components of net periodic benefits costs were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Service cost	¥ 7,879	$ 63,540
Interest cost	5,818	46,919
Expected return on plan assets	(3,799)	(30,637)
Amortization of transitional projected benefits obligation	6,058	48,855
Contribution to plan assets by marketable securities	15,432	124,452
Net periodic benefits costs	¥ 31,388	$ 253,129

Assumption used for the year ended March 31, 2001 was set forth as follows:

Discount rate	3.5%
Expected rate of return on plan assets	3.4%
Recognition period of actuarial gain/loss	11 years
Amortization period of transitional obligation	5 years

In September 2000, the Company contributed certain marketable securities with a fair value of ¥15,432 million ($124,452 thousand) to the employees' retirement benefits trust for the contributory pension plans and recognized a non-cash gain of ¥11,317 million ($91,267 thousand). The securities held in this trust were qualified as plan assets.

9. Stockholders' Equity

The Japanese Commercial Code provides that an amount equal to at least 10% of appropriations paid in cash dividends and bonuses to directors be appropriated as legal reserve until such reserve equals 25% of stated capital. This reserve may be used to reduce a deficit or transferred to stated capital. In the consolidated balance sheets and the consolidated statements of stockholders' equity as at March 31, 2001 and 2000, the legal reserves of the Company and its consolidated subsidiaries were accounted for as retained earnings.

Cash dividends and appropriations to legal reserve charged to retained earnings during the years ended March 31, 2001 and 2000 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 ¥6,835 million ($55,121 thousand) and the related appropriation to legal reserve of the Company, which were approved at the general stockholders' meeting held in June 2001 with respect to the year ended March 31, 2001.

During the years ended March 31, 2001 and 2000, there were no issuance of common stocks 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, 2001 and 2000 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
Trade receivables	¥ 5,479	¥ 4,193	$ 44,185
Other current assets	441	2,672	3,556
Investment securities (stock)	5,954	5,755	48,016
Long-term loans	4,255	4,775	34,315
Other investments	277	344	2,234
Trade payables	6,296	4,410	50,774
Accrued expenses	3,110	2,823	25,081

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
Transportation expenses	¥ 15,832	¥ 15,405	$ 127,677
Provision for doubtful receivables	1,750	1,678	14,113
Salaries and allowances	42,087	42,869	339,411
Bonuses paid	9,703	9,308	78,250
Accrued bonuses	5,304	5,448	42,774
Provision for retirement benefits	3,815	970	30,766
Depreciation	11,658	10,697	94,016
Amortization of goodwill	55	309	444
Research and development expenses	19,865	19,682	160,202
Other	54,639	55,445	440,637
	¥ 164,708	¥ 161,811	$ 1,328,290

Total research and development expenses (including manufacturing costs) amounted to ¥24,664 million ($198,903 thousand) and ¥23,571 million for 2001 and 2000, 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)
	2001	2000	2001
Interest and dividends income	¥ 108	¥ 93	$ 871
Leasing fees	1,431	2,254	11,540

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, 2001 and 2000, 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:

	2001	2000
Normal effective statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	0.9	0.5
Current operating losses of subsidiaries	7.4	4.6
Other	(0.7)	1.0
Actual effective tax rate	49.6%	48.1%

Net deferred tax assets and liabilities at March 31, 2001 and 2000, 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)
	2001	2000	2001
Prepaid expenses and other current assets	¥ 9,048	¥ 5,822	$ 72,968
Other assets	14,388	15,061	116,032
	¥ 23,436	¥ 20,883	$ 189,000
Other long-term liabilities	¥ 67	¥ 303	$ 540

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Significant components of deferred tax assets at March 31, 2001 and 2000 were as follows:

	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Current:			
Enterprise tax payable	¥ 1,573	¥ 1,526	$ 12,685
Excess provision for doubtful receivables	-	1,168	-
Loss on devaluation of inventories	2,731	488	22,024
Excess accrued expenses	2,601	1,674	20,976
Other	2,143	966	17,283
Total	¥ 9,048	¥ 5,822	$ 72,968
Non-current:			
Excess provision for retirement benefits	¥ 12,048	¥ 6,764	$ 97,161
Excess provision for doubtful receivables	-	1,397	-
Eliminations of intercompany profits	-	713	-
Loss on devaluation of investment securities	1,791	1,836	14,444
Other	549	4,351	4,427
Total	¥ 14,388	¥ 15,061	$ 116,032

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 costs, accumulated depreciation and net book value of the leased properties for such finance lease purposes was as follows:

	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Acquisition costs	¥ 53,331	¥ 53,342	$ 430,089
Accumulated depreciation	(31,108)	(30,950)	(250,871)
Net book value	¥ 22,223	¥ 22,392	$ 179,218

Lease expenses on finance lease contracts without ownership-transfer amounted to ¥10,648 million ($ 85,871 thousand) and ¥ 9,180 million for the years ended March 31, 2001 and 2000, respectively.

The amounts of outstanding future payments under finance leases due on March 31, 2001 and 2000, including the portion of interest thereon, were summarized as follows:

	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Future lease payments:			
One year or less	¥ 9,237	¥ 7,205	$ 74,492
More than one year	12,986	15,187	104,726
	¥ 22,223	¥ 22,392	$ 179,218

The amounts of outstanding future payments under operating leases due on March 31, 2001 and 2000 were also summarized as follows:

	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Future lease payments:			
One year or less	¥ 323	¥ 286	$ 2,605
More than one year	665	644	5,363
	¥ 988	¥ 930	$ 7,968

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 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 internal regulations and the execution and control of derivatives are controlled by the Accounting Department.

Market value of Derivative Financial Instruments:

The market value of derivative for foreign currency forward contracts at March 31, 2001 was as follows:

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

Thousands of U.S. dollars (Note 3)	Contracted amount	Market value	Unrealized (gain)/loss
Receivables:			
U.S.dollars	$ 98,823	$ 105,436	$ (6,613)
Deutsche mark	32	40	(8)
Payables:			
U.S.dollars	(460)	(468)	8
	$ 98,395	$ 105,008	$ (6,613)

Market value was determined based on the foreign currency forward exchange market rates. Foreign currency forward contracts which qualified for hedge accounting for the year ended March 31, 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 market value information.

16. Contingent Liabilities

The Company and one of its foreign consolidated subsidiaries were guarantors of loans of one of the non-consolidated subsidiaries and another company, amounting to approximately ¥106 million ($855 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, 2001 and 2000, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥1,690 million ($13,629 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 presented 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, 2001 and 2000 and for the years then ended.

Millions of yen

For 2001 :	Printing	Beverage	Total	Elimination	Consolidated
Net sales:					
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
Assets, depreciation and capital expenditures:					
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

Thousands of U.S. dollars (Note 3)

	Printing	Beverage	Total	Elimination	Consolidated
Net sales:					
Outside customers	$10,229,153	$ 593,710	$ 10,822,863	$ -	$ 10,822,863
Inter-segment	4,774	-	4,774	(4,774)	-
Total	10,233,927	593,710	10,827,637	(4,774)	10,822,863
Costs and expenses	9,568,233	566,331	10,134,564	(4,774)	10,129,790
Operating income	$ 665,694	$ 27,379	$ 693,073	$ -	$ 693,073
Assets, depreciation and capital expenditures:					
Assets	$11,591,193	$ 424,597	$ 12,015,790	$ (701)	$ 12,015,089
Depreciation	$ 730,734	$ 29,847	$ 760,581	$ -	$ 760,581
Capital expenditures	$ 801,226	$ 29,822	$ 831,048	$ -	$ 831,048

Millions of yen

For 2000 :	Printing	Beverage	Total	Elimination	Consolidated
Net sales:					
Outside customers	¥ 1,210,028	¥ 76,675	¥ 1,286,703	¥ -	¥ 1,286,703
Inter-segment	544	-	544	(544)	-
Total	1,210,572	76,675	¥ 1,287,247	(544)	1,286,703
Costs and expenses	1,130,641	70,719	¥ 1,201,360	(543)	1,200,817
Operating income	¥ 79,931	¥ 5,956	¥ 85,887	¥ (1)	¥ 85,886
Assets, depreciation and capital expenditures:					
Assets	¥ 1,389,530	¥ 52,879	¥ 1,442,409	¥ (102)	¥ 1,442,307
Depreciation	¥ 90,963	¥ 3,625	¥ 94,588	¥ -	¥ 94,588
Capital expenditures	¥ 115,005	¥ 4,071	¥ 119,076	¥ -	¥ 119,076

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, 2001 and 2000.

Overseas sales:

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

		Millions of yen	Thousands of U.S. dollars (Note 3)
Overseas sales	(a)	¥ 140,810	$ 1,135,565
Consolidated net sales	(b)	1,342,035	10,822,863
Ratio	(a)/(b)	10.5%	10.5%

Overseas sales ratio for the year ended March 31, 2000 was less than 10% of consolidated net sales and, accordingly, disclosure information on overseas sales was not required.

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, 2001 and 2000 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, 2001 and 2000, 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, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and for financial instruments and a revised accounting standard for foreign currency transactions.

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 28, 2001

MEIJI AUDIT CORPORATION
Meiji Audit Corporation

Board of Directors

(As of July 1, 2001)

Yoshitoshi Kitajima

Chairman of the Board President and Chief Executive Officer

Ryozo Kitami

Senior Managing Director

Kenichi Nakamura

Senior Managing Director

Taira Takahashi

Senior Managing Director

Koichi Takanami

Senior Managing Director

Minoru Suzuki

Senior Managing Director

Satoshi Saruwatari

Senior Managing Director

Masayoshi Yamada

Senior Managing Director

Shigeru Kanda

Managing Director

Masakazu Sato

Managing Director

Kuniaki Kamei

Managing Director

Mitsuhiko Hakii

Managing Director

Osamu Tsuchida

Managing Director

Noriaki Nakamura

Managing Director

Teruomi Yoshino

Managing Director

Directors

Hiromitsu Ikeda
Kazuyasu Uchiyama
Hironori Kato
Kenzo Isumi
Toshio Kawada
Makoto Isshiki
Hidenori Nokubo
Tadashi Okubo
Yoshiyuki Nakagawa
Kosaku Mori
Chugen Kakuno
Takao Suzuki
Yukio Togano
Junjiro Inoue
Kazumasa Hiroki
Yujiro Kuroda
Tatsuya Nishimura
Yoshinari Kitajima

Standing Statutory Auditors

Jitsuo Okauchi
Minoru Yoneda
Shizen Sasaki

Statutory Auditor

Akira Fujishima

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 Ellio 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
DAI Nippon Printing Information Systems Co., Ltd.*	Planning, designing, development, management, and operations of information systems	100	100.0
Dai Nippon ISD Co., Ltd.*	Software production and system development	80	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	1000	51.0
F.D.P. Dai Nippon Co., Ltd.	Manufacturing related to components for displays	100	100.0
DNP Corporate History Center Co., Ltd.*	Planning and production of corporate hisotory 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
Dainippon Shoji 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 and shipping operations	570	100.0
Dai Nippon Soko Co., Ltd.	Warehouse management and parcel handling	100	(44.7) 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

Printing

		Capital (Millions of yen)	Ownership ratio (%)
DNP Space Design Co., Ltd.*	Planning, design and creation of shops, exhibition booths and other commercial spaces	100	100.0
DNP Techno Research Co., Ltd.*	Studies related to patents and preparation of contracts	20	100.0
D-Square Inc.*	Event planning and operation	80	80.1
MyPoint.com Japan Co., Ltd.*	Marketing system planning and operation for internet advertisement	700	80.1
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	96.9
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
Spom Japan Co., Ltd.*	Production and sales of IC cards and related products	100	35.0
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) 150,000	(3.7) 99.3
DNP (America), INC.	Sales of publications and precision electronic components, decorative interiors	(US$1,000) 100	(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) 25,100	51.0
Tien Wah Press (Pte.) Ltd.	Photoengraving, printing and bookbinding	(S$1,000) 4,600	84.6
DNP Corporation USA	Holding company	(US$1,000) 24,000	(15.4) 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

Beverage

Hokkaido Coca-Cola Bottling Co., Ltd.	Manufacturing and sales of soft drinks	2,935	56.2

*Non-consolidated subsidiary or affiliate

Investor Information (as of March 31, 2001)

Dai Nippon Printing Co., Ltd.

Head Office:

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

Established:

1876

Number of Employees:

34,094

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)

27,024

Major Shareholders:

The Dai-Ichi Mutual Life Insurance Co.	5.07%
The Fuji Bank, Limited	4.93
Japan Trustee Services Bank, Ltd.	4.87
The Industrial Bank of Japan, Limited	4.72
Nippon Life Insurance Co.	3.36
The Mitsubishi Trust & Banking Corporation	2.54
The Sumitomo Bank, Ltd.	1.79
State Street Bank and Trust Company	1.62
Employee shareholder Association	1.34
The Yasuda Trust and Banking Co., Ltd.	1.28

Stock Exchange Listings:

Tokyo, Osaka, Nagoya, Luxembourg, Amsterdam

Transfer Agent:

Misuho Trust & Banking Co., Ltd.
6-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo,
100-0005, 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, 1999, 2000 and 2001)

	1999		2000		2001	
	High	Low	High	Low	High	Low
1st Quarter	¥2,360	¥2,065	¥2,030	¥1,765	¥1,970	¥1,690
2nd Quarter	2,390	1,704	2,130	1,820	1,935	1,605
3rd Quarter	1,948	1,599	2,120	1,630	1,750	1,535
4th Quarterx	1,852	1,506	1,920	1,586	1,731	1,315

Common Stock Price Range (Tokyo Stock Exchange)

Dai Nippon Printing Co.,Ltd.

Printed on 100% recycled paper and wood-free paper with soy-oil-based inks in Japan