

DNP

DNP Annual Report 2004

Display

DNP Annual Report 2004
Year ended March 31, 2004



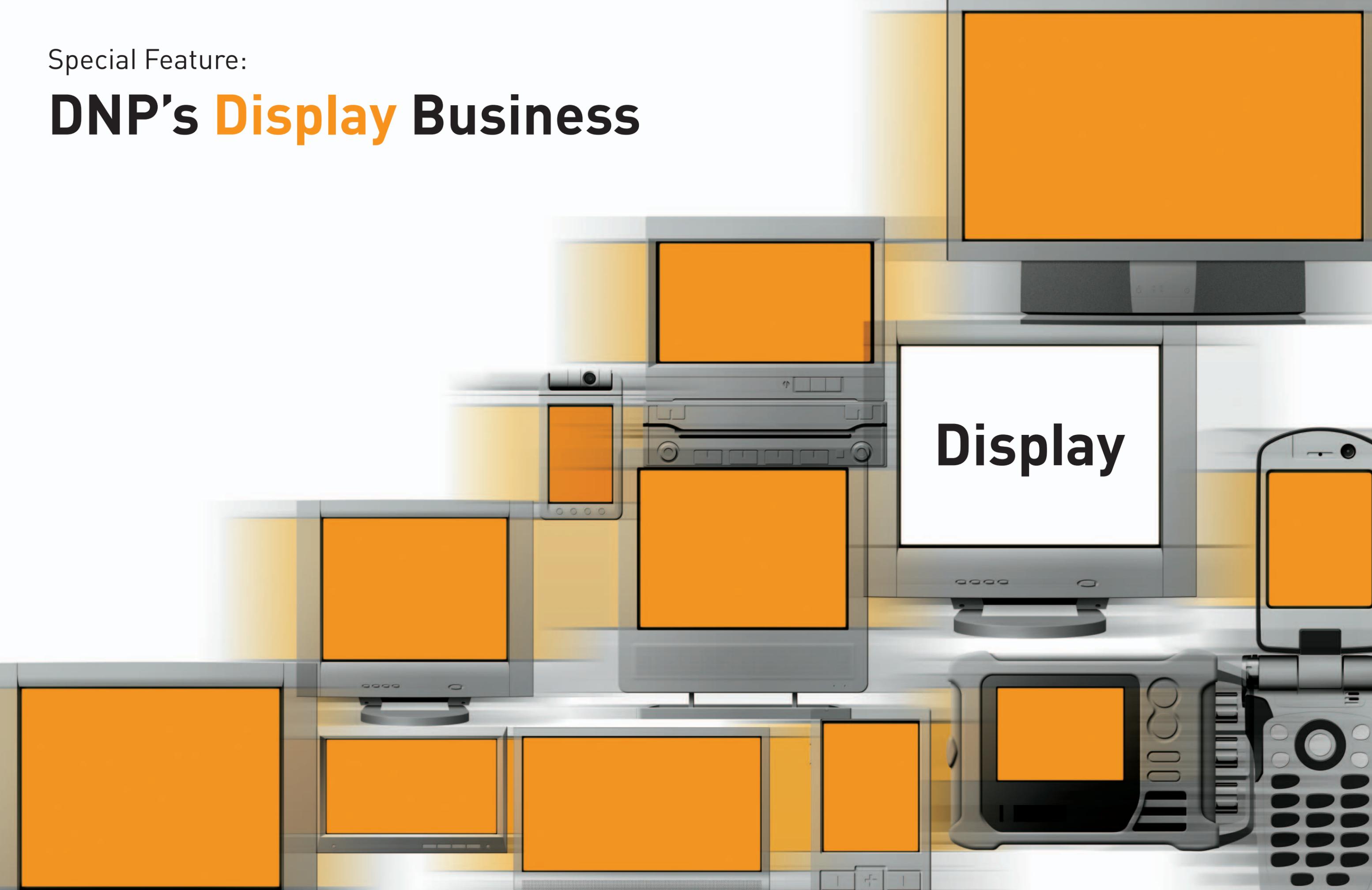
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Special Feature:

DNP's **Display** Business



DNP's display business offers diverse products to keep winning in a changing market

DNP started cultivating its printing technologies with the company's founding, and today its printing skills are among the most advanced in the world. DNP then built on this printing expertise and succeeded in manufacturing shadow masks, a major component of cathode ray tube (CRT) displays and a field where DNP remains the world's top supplier to this day.

At the same time, DNP was quick to notice growing demand for flat panel displays (FPDs) in the field of electronics, where technological innovation progresses so rapidly. The company has devoted an enormous amount of effort to research and development in this field. The market is full of a wide variety of displays used in various areas of modern life, in televisions, computer monitors, mobile phones, PDAs, video cameras, digital cameras, car navigation systems, computer games, etc. DNP aims to efficiently expand its business and appropriately meet the market's needs by providing products related to all kinds of displays, including televisions with liquid crystal displays (LCD TVs) – an area where DNP expects to see growth – and plasma display panels (PDPs), rear-projection TVs (PTVs), organic and inorganic electroluminescence (EL), field emission displays (FEDs), etc.



Summary of Display Business Strategies

DNP is building a portfolio of the display products that fit best with product life cycles, based on thorough analysis of the world's rapidly changing display market. We are developing flexible business strategies aimed at maximizing profits while at the same time taking adequate steps to hedge risks.

Basic Strategy 1 Predict the future of the changing market, and build a portfolio of all-round products

Put together a portfolio of all-round products that can work with all types of displays and respond quickly and flexibly to the dramatically changing, continually diversifying display market.

Basic Strategy 2 Actively approach overseas markets, with market expansion in mind

In order to build production and sales systems that keep pace with the changes, keep an eye on the overall, worldwide display market, as well as on trends in each country's market. Actively expand overseas while covering risks as much as possible.

Basic Strategy 3 Gain a dominant position and develop unique technology

Use DNP's world class printing technologies to develop innovative new products as well as production and material technologies, in order to minimize initial costs and secure a dominant edge in the market.

Basic Strategy 4 Pursue strategic alliances and M&As

From the standpoint of building a global business, explore unions with strong partners that can be expected to provide synergistic benefits. Provide competitive products while flexibly pursuing strategic alliances and mergers or acquisitions.

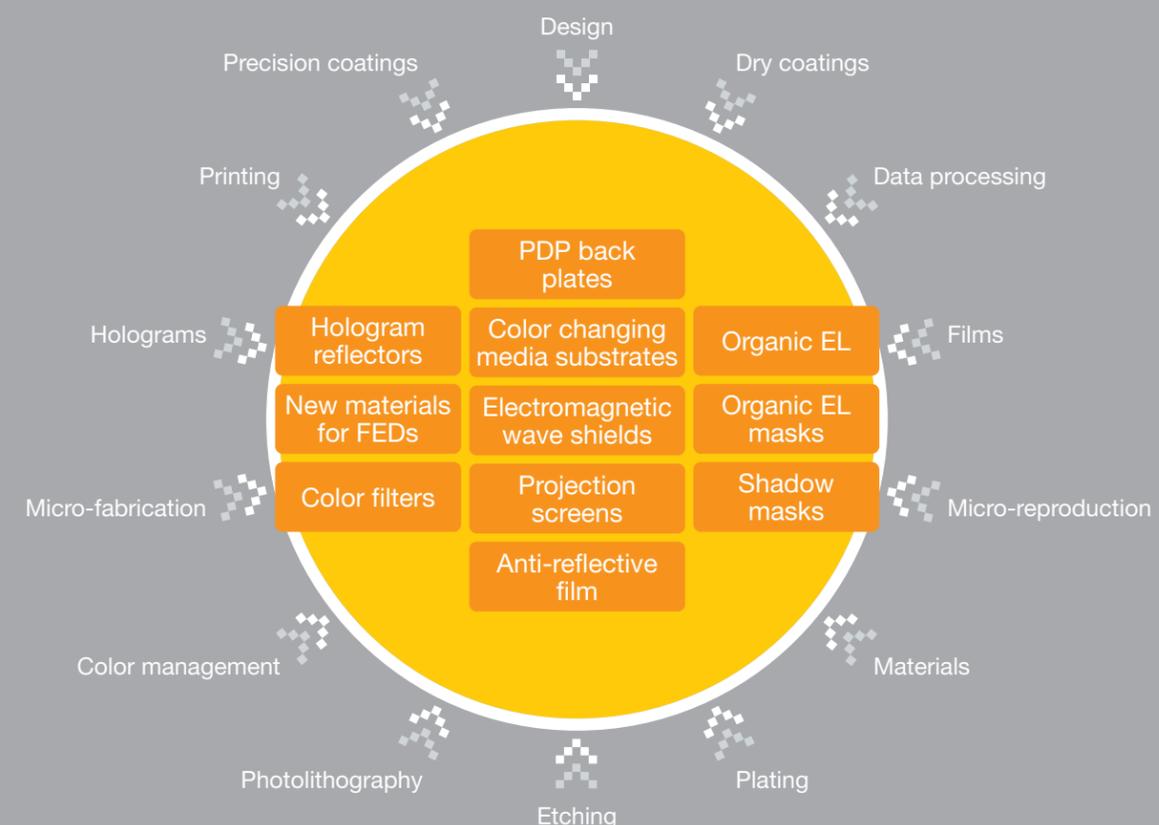
Basic Strategy 5 Foster new businesses using flexible business models

Foster new businesses by enhancing R&D, developing new components for displays, and focusing on expanding from components to modules and devices.

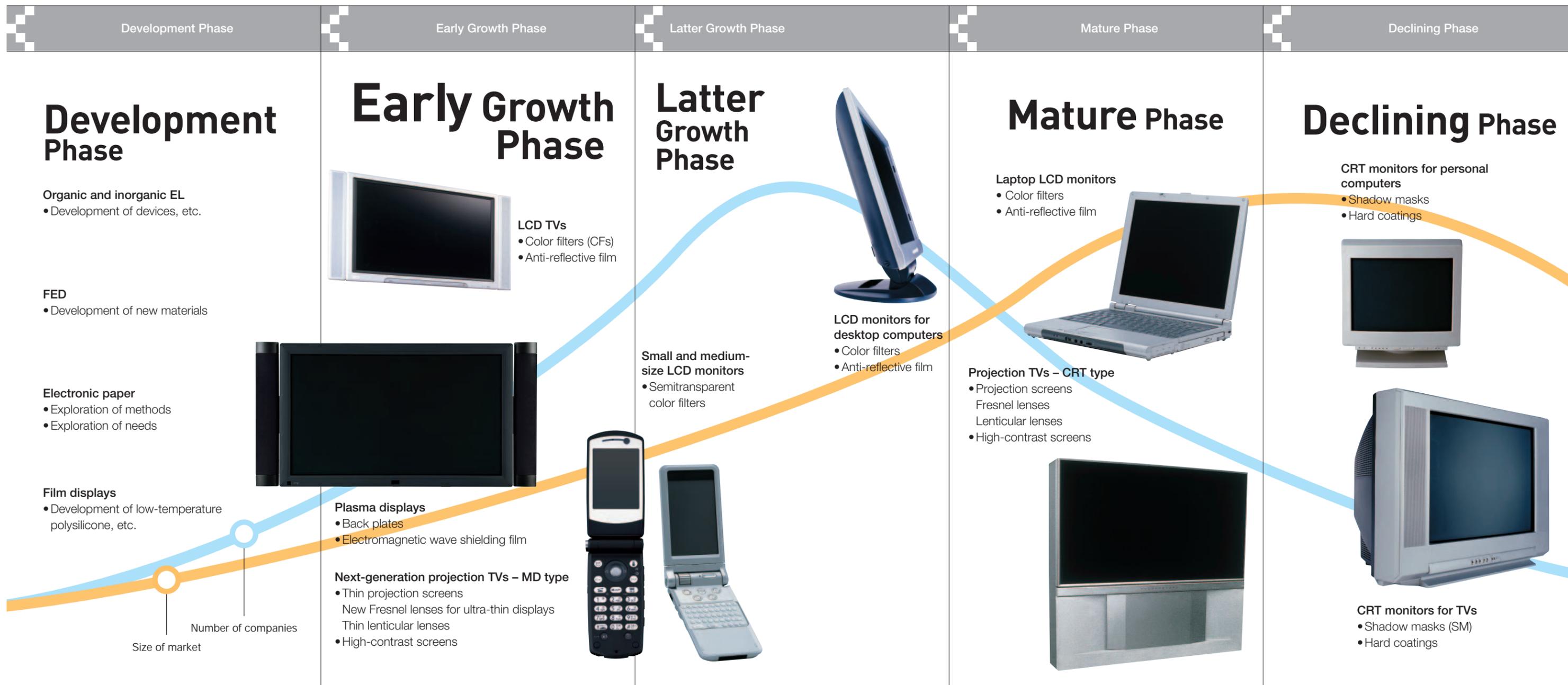
Basic Strategy 6 Promote intellectual property strategies at the global level

Pursue intellectual property strategies at the global level, in order to make our rights to technological dominance more secure.

We are proud of our world class printing technologies, including precision nano-coating and micro-fabrication technologies. Due to our unique capacity for developing new applications for these technologies, along with our manufacturing expertise, we are building a display business that no competitor can imitate. We make sure that we take full advantage of our insistence on conveying information quickly, beautifully, and accurately, in our display business as in other areas. DNP's fields of business are expanding further than ever.



Development Cycles and Generational Change in the Display Business



Displays are becoming the new “stars” of the digital age

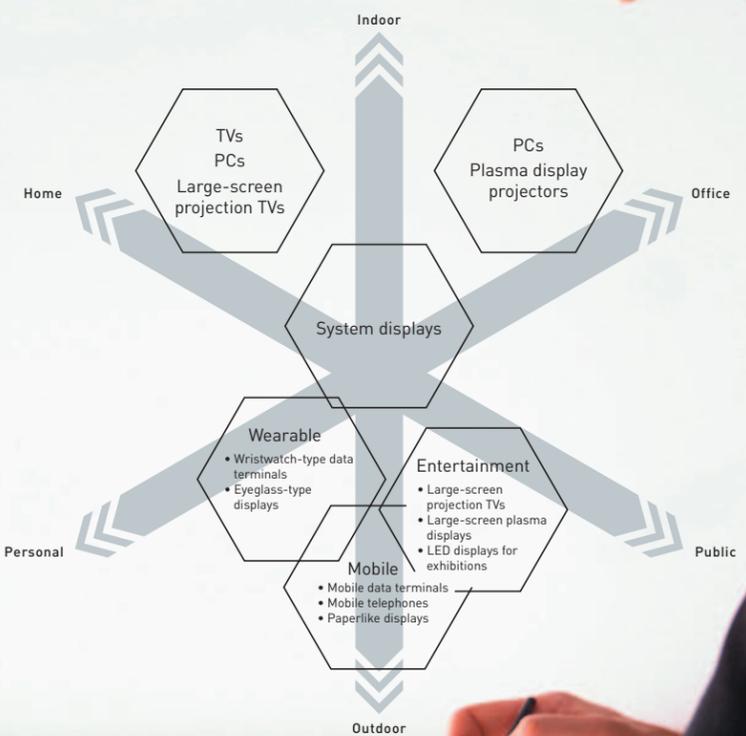
A great deal of attention is focused on the display market by the electric appliance industry and elsewhere. The display market is now coming to a major turning point.

In December 2003, terrestrial digital broadcasting began in Japan, ushering in an era of interactive television that delivers high-quality images and sounds. In 2005, digital broadcasting to cellular telephones is scheduled to begin. The necessary information infrastructure is rapidly being put in place in order to realize a full-scale “ubiquitous society” where people will be able to get the images they want to see and the information they want to access, without regard for time or place.

As part of these changes, there is a rapidly expanding market for thin, lightweight, energy-efficient flat panel displays (FPDs). The CRT displays that were by far the most common for a long time are now moving from the Mature Phase to the Declining Phase. Currently, liquid crystal displays (LCD) are the most popular. In the market for consumer-use televisions with screens larger than 40-50 inches, we are starting to see plasma display panels (PDPs) and rear-projection TVs (PTVs). Inorganic EL, organic EL, and field emission displays (FEDs) have entered the stage one after another, as the stars of the next generation.

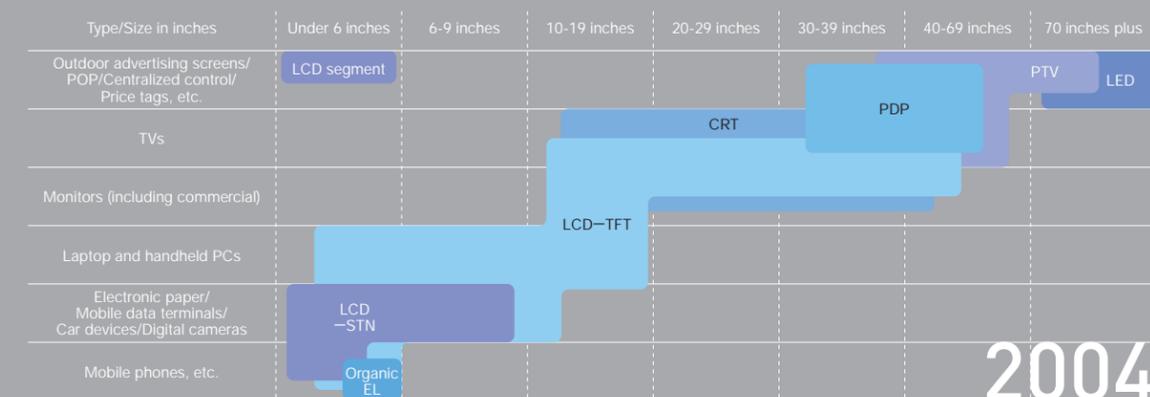
Diversification

Diversification of Display Methods

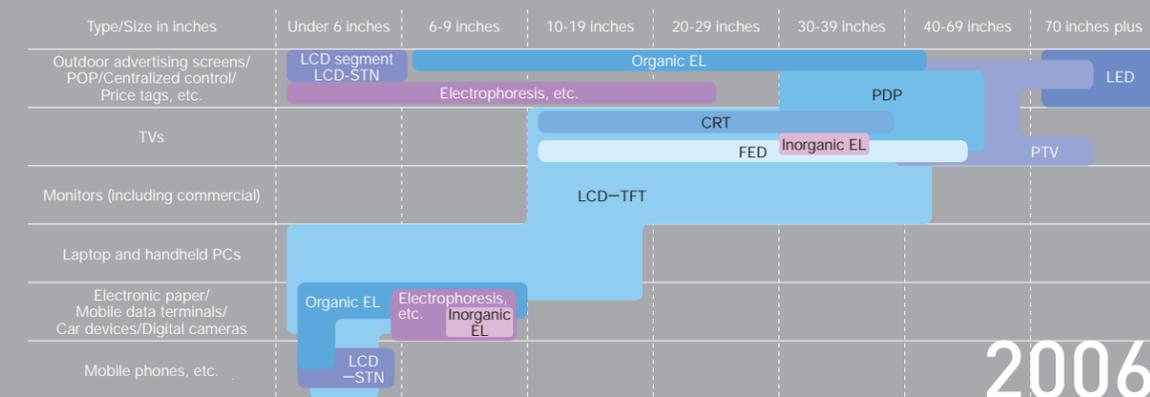


As technology advances, people's lifestyles are changing day by day. In offices and homes, each person uses multiple displays: in televisions, computers, cell phones, PDAs, GPS devices, mini-games, digital cameras and as video camera monitors. The number of ways to use displays is growing rapidly, and different types of displays are being developed to suit each application.

Television display types, too, are becoming increasingly compartmentalized according to size. A high proportion of mid-sized and smaller TVs use cathode ray tubes or LCDs, but among large TVs with screens of 40 inches or more, PDPs and rear-projection types are dominant.



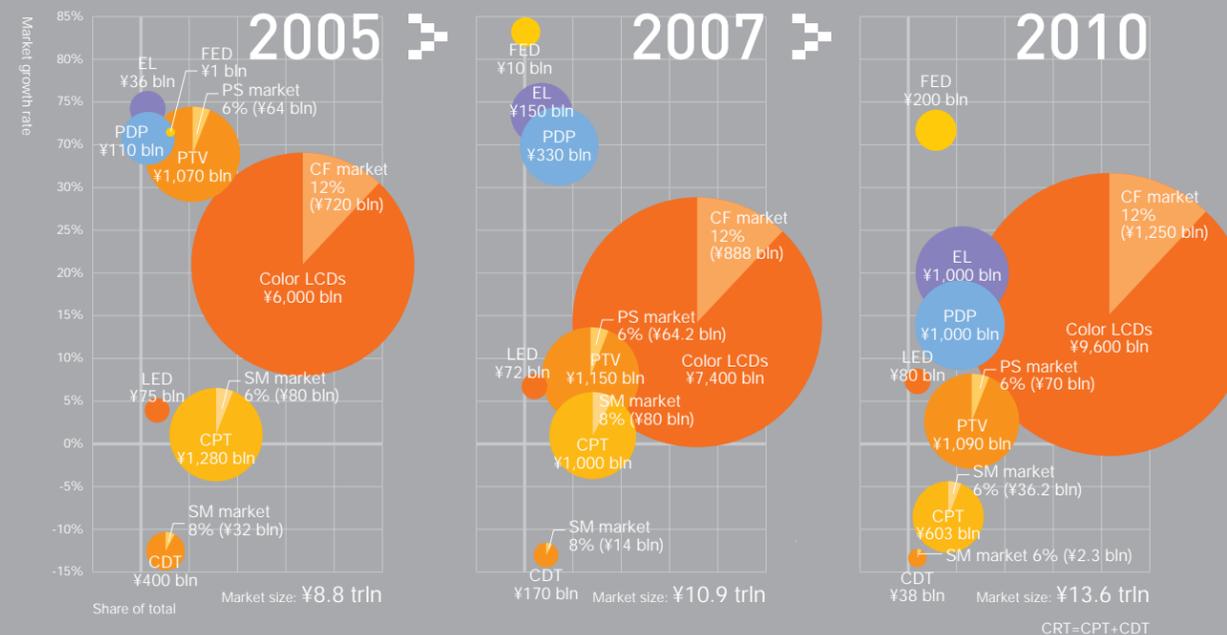
Changes in Display Types Used for Various Applications



In the PC monitors market, LCDs have become overwhelmingly widespread. There are signs suggesting that system displays that enable users to enjoy television programs and DVDs may become especially popular. Meanwhile, the range of available types of displays is growing wider. For example, organic EL is becoming more popular in sub-displays for mobile phones and digital cameras, because of its light weight and flexibility of design.

Expansion

Trends and Expansion in the Display Market



As the use of high-speed telecommunications networks becomes increasingly widespread thanks to terrestrial digital broadcasting and broadband internet connections, we expect to see a vast increase in the amount of information being distributed, especially in the form of video images. In addition, we expect that an expanded range of applications for displays and the diversification of available types will cause the overall market for displays to grow. We believe it will continue to grow at more than 20% per year for the next few years.

Based on DNP's assumptions, we expect the display market to be worth 8.8 trillion yen in 2005 and grow to 10.9 trillion in 2007. We expect the LCD market, which is currently the most active area, to grow to 7.4 trillion yen. Regarding CRTs, we think that demand should remain solid until 2007, mainly in the emerging BRIC economies (Brazil, Russia, India and China), so we expect to be able to maintain current levels of production and sales without experiencing a sharp drop.

In the 42-inches-and-up category, the PDPs that already have a cost advantage over LCDs will also widen their lead in terms of response time, width of viewing angle, brightness and other technical specifications. We expect the PDP market to keep growing smoothly until it reaches about 330 billion yen in 2007.

Rear-projection TVs are a relatively low-cost option among large-screen displays. As development of the

new MD-type progresses and the screens become even thinner and picture quality improves, we expect this price advantage to become even more attractive. In the next few years, we predict that the market for MD-type rear-projection TVs will grow by about 300% in terms of units sold, and around 200% in terms of monetary value. On the other hand, because some of this increase will be cancelled by shrinkage in the market for CRT-types, we expect the projection TV market to grow from 1,070 billion yen in 2005 to 1,150 billion in 2007.

In addition, organic ELs have attracted attention as a new type of display, and are already entering the market, beginning with products that feature small displays.

Besides looking at overall market trends like these, DNP also analyzes market characteristics that we need to consider for each region of the world. In the Japanese market, we predict that consumers will continue to buy products that are technically superior rather than ones that are low-priced, whereas in the United States we foresee greater demand for large, low-priced flat panel displays of more than 50 inches. In Asia and South America, we expect that use of CRTs will spread as the information infrastructure is made more widely available.

Strategies



Basic Strategies for Our Display Business

In order to always provide solutions that our customers can say are “the best,” DNP aims to stabilize and increase revenues from the dramatically changing display market through the following basic strategies.

Basic Strategy

1

Build a portfolio of all-round products

In addition to scrupulously analyzing the technical innovations that occur at such a dizzying rate in the world of flat panel displays (FPDs), DNP is putting in place systems for developing all-round products to help disperse risk and allow us to thrive regardless of which type of display dominates the next generation of products.

For many years, DNP has maintained the world's top share of the market for shadow masks used in CRT displays. At the same time, we noticed early on that FPDs would be the next big wave in the electronics industry, where the pace of innovation is very fast. We continued research and development in this field and

started full-scale mass production of color filters for LCDs in 1988. Today, too, we are gearing up to be ready for the commercialization and full-scale spread of products related to various types of displays that are likely to grow in the future, including PDPs, PTVs, EL, and FEDs.

Because we are aware that the display market is likely to keep changing more dramatically than ever, we move proactively to ascertain the market's needs and allocate our resources efficiently. By supplying products for all kinds of displays, we aim to develop a profit-oriented business and at the same time maintain stable growth by responding flexibly to market changes.

Basic Strategy

2

Respond to overseas markets

The world display market is churning with change, and with global-level competition. At DNP, we consider the overall world market as we build production and sales systems that can keep pace with the changes in global demand.

We work through our sales bases in Europe, America, Korea and Taiwan to gather the information we need in order to maintain a grasp of local needs in each market. In February 2004, we opened a new sales office in Shanghai in order to get an early foothold from which to respond to the Chinese market, where rapid growth is expected.

On the production side, too, we are boosting our overseas supply capacity and enhancing our ability to respond immediately to changes in local needs.

We increased our share of the Taiwanese market for LCD color filters by licensing technology to multiple

manufacturers in Taiwan and enhancing our framework for supplying OEM products. For fifth-generation products, we invested in South Sintek Photronic, a joint venture with a local Taiwanese company, and set up a new production line.

Meanwhile, sales of rear-projection TV screens are good in the United States. We aim to boost production capacity at DNP Electronics America, our California plant, and maintain a grasp of market conditions in real time as we develop new products that meet customers' needs, in order to secure at least 50% of the worldwide market.

Because Japan and South Korea are the main markets for PDPs, we plan to continue to supply related components such as back plates and electromagnetic wave shields from Japan, in order to meet market demands efficiently.

Basic Strategy **3** Develop distinctive technologies that give us an edge in the market

It is important to always stay on top of the market. Currently, DNP has a top-class share of the global market for every display-related product that we make, including color filters, projection screens, shadow masks and PDP back plates. We intend to further strengthen the technological development capacity that supports this group of products, and make our products and production technology more distinctive than ever. There is a tendency toward shorter and shorter product life cycles among all display-related products, so the keys to expanding business throughout this field are to make our products stand out from the rest, and to increase cost competitiveness. Development of efficient manufacturing technology is

particularly important for success in the market for color filters used in LCD TVs, because the production process is so complex and product yields are an issue.

In order to hold down initial costs, we maintain a high level of productivity and we are working on improvements like more cost-effective materials and spinless coating technology that can reduce pigment loss. Also, we are currently developing an inkjet-based production process that we hope will give us a high level of productivity and yields that far exceed existing industry standards. We will continue to focus on developing unique DNP production technologies that give us higher quality and lower costs.

Basic Strategy **4** Promote strategic alliances and M&As

Our objective is to make the most of each company's particular strengths and collaborate as we move toward the same goal and win. DNP will actively develop a variety of business models and seek out alliances with strong partners when we can expect mutual benefit from a global point of view. When moving into new overseas markets, we can disperse risk and start up local production bases more quickly and efficiently through joint investment with overseas partners. In the case of color filters, we licensed technology to SinTek Photronic and procured OEM products from them. We are also building a new fifth-generation production line through joint investment with South Sintek Photronic.

Within Japan, too, we can supply more competitive products by joining forces with companies that excel in various fields. In October 2002, we purchased a color filter manufacturer, Advanced Colortech, Inc. (ACTI),

from its two founders, Asahi Glass Co., Ltd., which supplies glass substrates for LCDs, and Mitsubishi Chemical Corporation., which supplies high performance materials like color resists. We also collaborated with Asahi Glass to found a PDP back plate manufacturer, DAP Technology Co., Ltd.

In addition, we formed a technical tie-up with iFire Technology Inc. – a Canadian company that holds many patents related to Thick Film Dielectric Inorganic EL – through which we are developing manufacturing technology to allow us to mass produce next-generation inorganic EL displays at 30-40% less than the cost of conventional FPDs.

As we move forward, we will freely select optimal business models, keeping in mind possibilities for M&As, joint investments, technical license agreements, etc., in order to contribute to the development of the industry.

Basic Strategy **5** Foster new businesses

Far from shunning change, we are prepared to be an agent of change ourselves as we embark on new business ventures. Change happens at a dizzying pace in the display market. In order to keep up, we strive to actively develop products related to whichever new type of display will be the star of the next generation.

DNP's integrated R&D organization is aimed at quickly commercializing new products. It consists of a Research & Development Center, which performs basic research into next-generation products and researches specialized materials, a Display Components

Laboratory that works to commercialize specific products and improve processes, a Manufacturing Technology Laboratory that develops effective production technologies and equipment, and other specialized laboratories. All of them work together with a sales team that keeps a sharp eye on market trends, in order to speed up the launch of new businesses.

In the future, we plan to go beyond the manufacture of display products and materials, and explore possibilities for flexible business models, including alliances that can develop modules or devices, etc.

Basic Strategy **6** Protect intellectual property rights

In order to better secure the technological dominance that supports our top share of world markets, we are taking active steps to acquire and protect intellectual property (IP) in order to promote product development at the global level.

Currently, DNP holds 658 display-related patents in Japan and the rest of the world. The number of patent applications we have filed overseas has grown steadily along with the size of the display market: in the five years from 2000 to 2004, it increased by 45% to 296.

Color filters:

We are focusing our IP strategy on Asia, in order to respond to challengers that rise up within the Asian region. In the past five years, we applied for ten times as many patents as we did in the previous five-year period. Of those applications, 56% were filed within Asia excluding Japan.

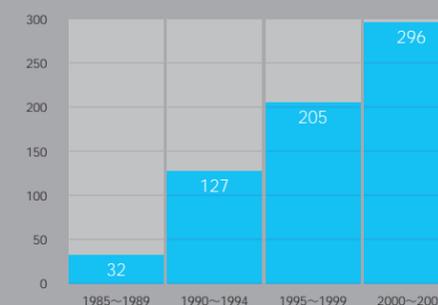
Rear-projection screens:

We have received 56 patents in the U.S., which has been the main market for PTVs so far. Since demand has also been growing in China in recent years, in the past five years we have applied for about the same number of patents in China as in the U.S.

Shadow masks:

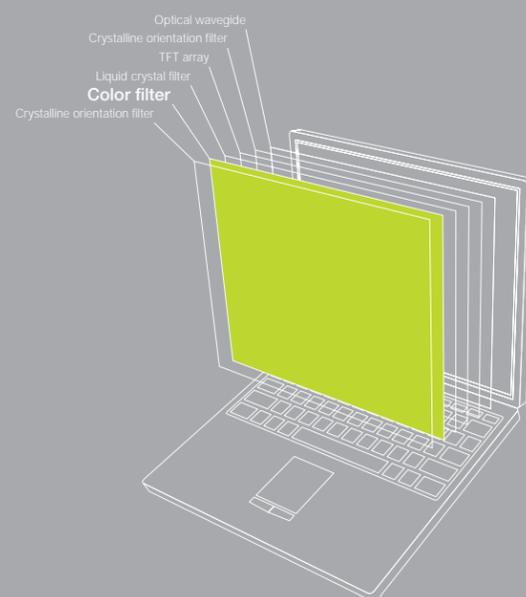
We have worked actively to develop our rights worldwide, and as a result we have received 131 patents that protect DNP's market share and rights.

Overseas patent applications (filed outside Japan)
(number of applications)



Strategies for Specific Display Products

CF: COLOR FILTERS



Among flat panel displays, LCDs are especially thin, light, and energy-efficient. A color filter is the component that gives color to an LCD; it consists of an array of red, green, and blue elements on a glass substrate.

Until about 2010, demand for LCDs is expected to steadily increase as they are used in mobile phones, PDAs, GPS, and everything from little laptop computers to desktop PCs and large-screen televisions. We predict that the market for LCDs used in PCs will expand steadily, and there will be major growth in the market for television LCDs.

Supply to a broad customer base — even 5th and 6th generation filters

The substrates used for LC panels have gradually gotten larger, and now 5th generation products (1100 X 1300mm) dominate the market. The color filters that fit this size are over one meter square, less than 0.7mm thick, and made of glass. The technology for transporting these products is extremely important to our color filter business strategy. Due to a trend within the industry toward building color filter production lines inside client companies' factories, it seems that the increasing size of the substrates may pressure the industry to adopt new business models.

DNP has developed transport technology for the 5th generation and is within sight of developing transport technology for the 6th generation. So we are currently fine-tuning our production technology in order to continue supplying color filters by transporting them from our production base to our customers' plants.

As with earlier products, we expect to supply a broad market with 5th and 6th generation products. We intend to meet the needs of our customers in Japan, South Korea, Taiwan, and China, without being overly dependent on specific clients.

Increase production capacity and disperse risk

We currently have five production bases for color filters. In Japan we have our Mihara plant in Hiroshima Prefecture, the Otone plant in Saitama Prefecture, and Advanced Colortech, Inc. (ACTI) in Fukuoka Prefecture. In Taiwan, there is SinTek Photronic and South Sintek Photronic. With the addition of 5th generation production lines to our Mihara plant in April and November 2004, we will have the world's largest production capacity, with a total capacity equivalent to 5.7 million filters per month, calculated on a 14-inch basis.

In Taiwan we produce color filters primarily for use in PC monitors, while in Japan we make more technologically advanced products.

By spreading our production bases in this way, we not only reduce risk but also strengthen our framework for offering stable supplies to the whole world.

Choose flexible strategies, for survival beyond the 7th generation

So far, DNP has taken advantage of our transport technology and our superior production technology to avoid excessive dependence on specific panel makers. We intend to maintain this policy even for 6th generation products. But in the 7th generation, when the panel size will be 1820 X 2200mm, transport will pose a formidable problem. We expect that most suppliers will build "in-plants" inside their clients' factories or "by-plants" adjoining them. So we believe that in the future we will need to choose flexible and nimble strategies such as cooperative manufacturing involving alliance-based technology licensing or in-plants, by-plants, etc.

Develop an inkjet method to respond to demand for larger screens

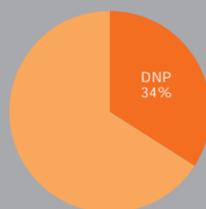
In order to distinguish our products from the competition, we developed color filters with columnar spacers, and high-performance filters that can express a broad range of colors. By shortening our customers' production processes, these products helped them to lower costs and improve picture quality. As panel sizes grow larger, reducing production costs and improving yields is becoming more and more important.

DNP is working on achieving the required production efficiency by developing an inkjet production method that is completely different from conventional methods. Our goal is to improve productivity and cut costs by using this method to decrease the number of manufacturing processes and reduce material loss and other inefficiencies.

Support clients' in-house manufacturing through superior production technology and low prices

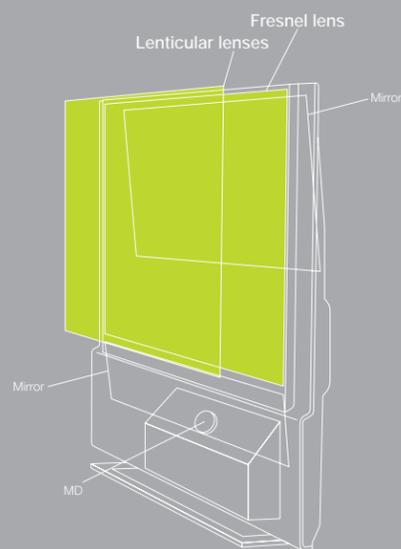
Among display panel manufacturers, the in-house production rate for color filters is about 40%. We expect it will remain around that level into the future. As an outsourcing manufacturer, we have earned a reputation for outstanding quality and cost competitiveness. We expect to continue to contribute to the FPD industry by providing products that meet panel makers' needs.

Color Filter Market Share



6th generation (left)/5th generation (right)

PS: PROJECTION SCREENS



Enhance MD screen business

Projection screens combine a Fresnel lens that focuses light from projected images and a lenticular lens that adjusts the focused light to a specific view-point. This type of screen is used with a rear projector.

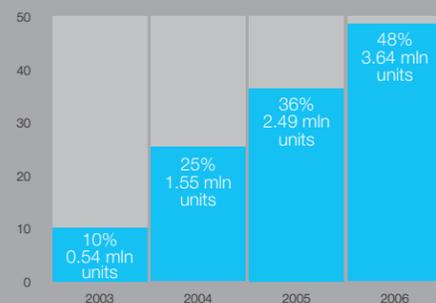
DNP is the only screen maker in the world that manufactures both Fresnel and lenticular lenses. We have outstanding technology for making dies used in lens manufacture, as well as superior expertise in precision forming. Rear-projection TVs are relatively low-priced among large-screen TVs, and are steadily gaining popularity, especially in the United States. In 2001, DNP launched a production base in the U.S. – the world's biggest PTV market – giving us a base each in Japan, the U.S., and Europe.

Until recently, the market was dominated by projection TVs that use a CRT (cathode ray tube) light source to display images in the form of scan lines. In the future, we expect to see a surge in demand for MD-type (microdisplay) PTVs that use a digital optical engine and display a dot matrix, thereby delivering higher-precision images.

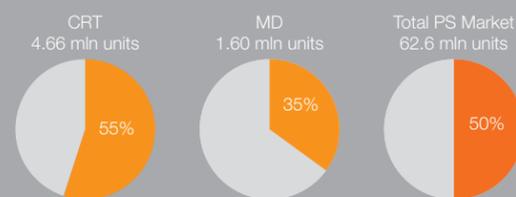
DNP has succeeded in reducing the roughness of its MD-type screens and developing an ultra-fine pitch 65-micrometer screen suitable for viewing digital broadcasts. In the future, we will further enhance our foundation in the PS market and boost our sales strength.

DNP holds a 55% share of the worldwide market for CRT-type projection screens, but we predict that as ownership of MD-type screens spreads, the fiscal 2004 market and our share of it will change as shown in the pie charts below.

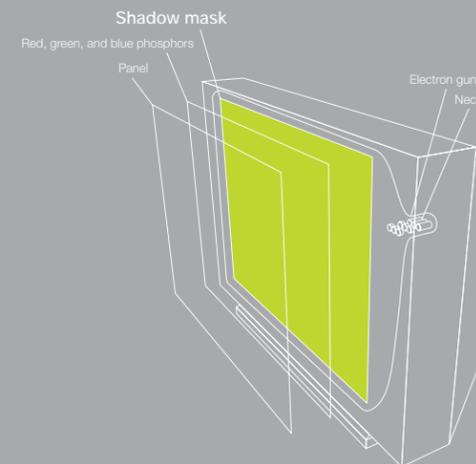
Microdisplay's (MD's) Projected Share of PTV Market (%)



DNP's Projected Share of CRT and MD Markets in 2004



SM: SHADOW MASKS



Shadow masks are a component of CRT color monitors. A shadow mask has many holes or slits that guide an electron beam (shot from an electron gun) to accurately hit a particular group of phosphors on the front glass panel. A shadow mask is made of a sheet of nickel alloy or some other metal, and must be formed precisely, to within a few microns.

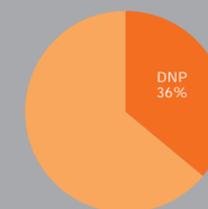
Secure steady revenues by specializing in shadow masks for TVs, and by boosting cost competitiveness

For almost 30 years, "color display" always meant the kind of cathode ray tube (CRT) that was used for so long in home televisions. DNP was the first entity in Japan to develop a shadow mask, which is a key component of CRT monitors. Since then, we have supported the CRT industry as the top player in the world market.

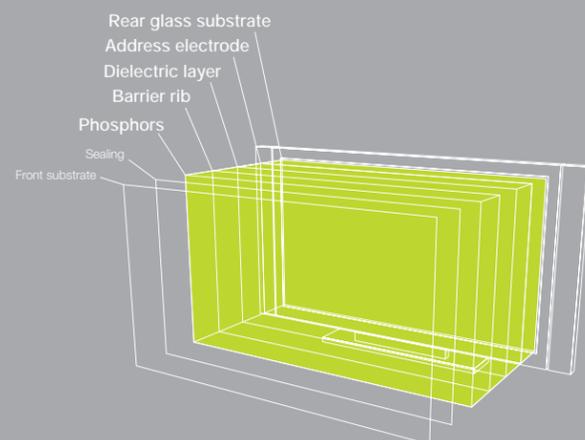
Now that many personal computer manufacturers have switched to using LCDs, demand for CRT monitors for use in PCs has dropped sharply. From 2001 to 2002, DNP boldly reorganized its shadow mask production lines, scrapping 40% of the equipment and concentrating the rest at the Mihara plant in Hiroshima Prefecture.

At the same time, we shifted the bulk of our production, which until then had been aimed at CRT monitors for PCs, toward shadow masks for home televisions. In April 2001, only 20% of our shadow masks were used in televisions, whereas today we have raised that percentage to 70%. We expect demand for shadow masks to be stable for some time to come, especially outside of Japan, as television ownership spreads among the BRICs (Brazil Russia, India and China). We expect the market to amount to 160 million masks per year. From now on, we intend to secure profits by concentrating on the production of higher added-value shadow masks for TVs, and by expanding orders and lowering costs.

Shadow Mask Market Share



PDP: PLASMA DISPLAY-RELATED PRODUCTS



The back plates that DNP manufactures for use in plasma displays are important components that consist of electrodes, barrier ribs and phosphors arranged in a regular pattern on a glass substrate. Together with a front substrate fitted with electrodes, this makes up the core of a plasma display panel (PDP).

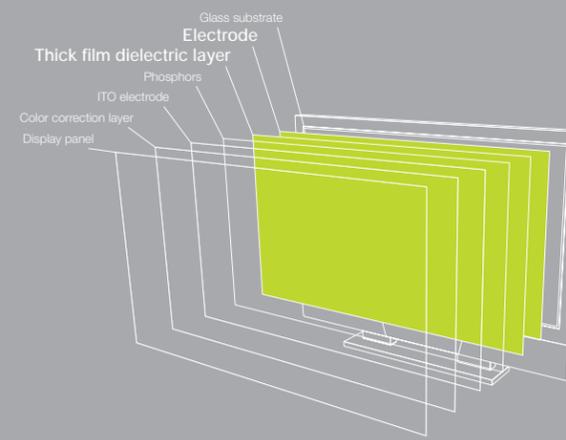
Establish new markets for back plates and optical films

As progress is made toward achieving greater brightness and precision, and solutions are found for sticking points concerning energy consumption and costs, the market for PDPs appears to be ready to start growing. It is expected to amount to 7 million units worldwide in 2006. LCDs are also popular flat panel displays, but because PDPs are currently superior in terms of cost and picture quality in the 40-50 inch size range, we expect that the market will gradually diverge according to size.

In July 2001, DNP set up a subsidiary with Asahi Glass Co., Ltd., which holds a 90% share of the market for glass substrates for PDPs. The subsidiary, DAP Technology Co., Ltd., started manufacturing back plates for plasma display panels in the summer of 2003. The first PDP manufacturers made their own back plates in house, but as the market grew, they increased their dependence on outsourcing manufacturers like DAP. In the future, we intend to concentrate on providing products that make the most of both partners' strengths, and increase our share of the market.

In addition, our Industrial Supplies segment is responding to the sudden growth in the LCD and PDP markets by taking advantage of our precision coating technology to develop and manufacture a variety of high-performance films such as high-function optical film for polarizers, anti-glare optical film, and electromagnetic wave shielding film.

IEL: INORGANIC ELECTRO-LUMINESCENT DISPLAYS

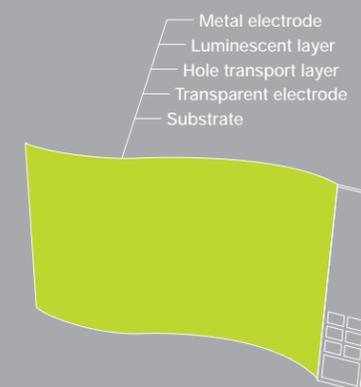


Develop production technology aimed at full-scale mass production

Some of the distinguishing features of inorganic EL displays are that they are self-luminous, wide-angle, quick-responding, and robust to environmental conditions. Because their structure is simple, they can be made thinner and lighter than conventional FPDs. They are attracting a good deal of attention as a promising display for the future.

Since March 2003, DNP has been developing inorganic EL displays jointly with iFire Technology Inc. of Canada, and we have already succeeded in developing a 34-inch display. We are currently working on developing production technology in hopes of starting mass production in 2006.

OEL: ORGANIC ELECTRO-LUMINESCENT DISPLAYS



Consider alliances aimed at developing electronic paper

Organic EL displays appear to be very promising because they are self-luminous, wide-angle, quick-responding, energy-efficient, and because it is possible to mass produce large displays of this type at a relatively low cost. The technology for producing them is an extension of printing technology. Unlike conventional displays, they can be made to be portable and flexible, like a paper poster, and present all kinds of new possibilities.

The key to commercializing this format is to make them more resistant to humidity and extend the product's lifespan. Technological breakthroughs are already occurring rapidly, and OEL displays are starting to be used as sub-displays in devices like mobile phones and digital cameras.

DNP is pushing ahead with development by forming alliances with companies around the world. For example, we licensed technology from Cambridge Display Technology, a UK start-up, in order to speed development of flexible organic EL displays.

Dai Nippon Printing Co., Ltd. was established as a full-scale, Japanese printing company in 1876, under the name Shueisha. The company started out printing for the publishing industry and later branched out into a variety of fields, including commercial printing, business forms, packaging, decorative materials, and electronics. The DNP Group has become the world's largest corporate group engaging in comprehensive printing operations. DNP currently employs some 35,000 people. In Japan, the DNP Group has 24 division offices in major cities, 44 sales offices, and 38 production plants, while overseas it has another 18 sales offices and seven production plants. At DNP, we continue to expand our businesses even further by pursuing new possibilities for technologies and marketing in the world of printing.

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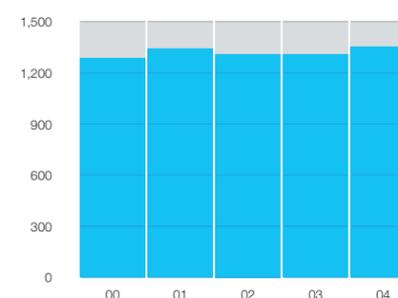
This annual report is aimed at providing information about DNP's businesses, management vision, and business results. Opinions and forecasts contained in the report were based on the best judgment of management at the time the report was prepared, so we cannot guarantee that all information contained in the report is completely infallible.

Consolidated Financial Highlights

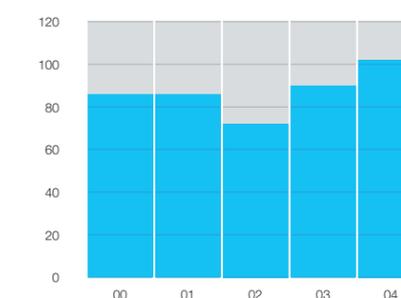
Dai Nippon Printing Co., Ltd. and Subsidiaries
Years ended March 31

	In millions of yen (except per-share amounts)		% change
FOR THE YEAR	2004	2003	2004/2003
Net sales	¥ 1,354,101	¥ 1,309,002	3.4%
Operating income	102,438	89,881	14.0
Income before income taxes	93,137	42,244	120.5
Net income	52,971	28,774	84.1
Per Share Data:			
Net income			
Primary	¥ 71.49	¥ 37.80	89.1%
Fully diluted	—	37.67	—
Cash dividends	21.00	19.00	10.5
AT YEAR-END			
Total stockholders' equity	¥ 978,736	¥ 942,083	3.9%
Total assets	1,513,734	1,450,027	4.4

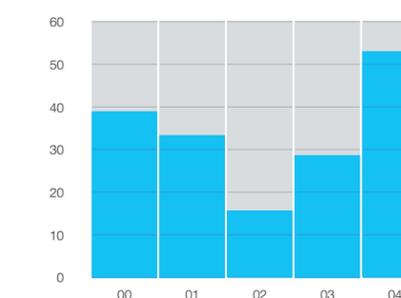
Net sales
(in billions of yen)



Operating Income
(in billions of yen)



Net income
(in billions of yen)





Yoshitoshi Kitajima
Chairman of the Board
President and Chief Executive Officer

This fiscal year, the DNP Group's net sales reached a record high of 1,354.1 billion yen. Operating income also grew significantly over the previous term, to 102.4 billion yen, as did net income, to 52.9 billion yen.

We chose the slogan "DNP: P&I Solutions Provider" to represent our vision for the 21st century, and the entire company is working together to realize this vision. Our goal is to create new values and profits by blending the Printing Technology (P) that we have cultivated since our company's founding with Information Technology (I) in order to provide solutions to problems faced by our clients and consumers.

I believe the results we achieved this fiscal year demonstrate that the direction we chose for our 21st century vision is correct. We will continue to pursue this strategy in the future, as we aim for long-term, sustainable growth.

P&I Solutions: Actions and Results

"P&I Solutions" Combine DNP's Two Greatest Strengths

In May of 2001, as we neared the 125th anniversary of DNP's founding, we asked ourselves two questions. How can we contribute to the emerging 21st-century society, while people's values are becoming increasingly diverse amidst dramatic social changes? And how can we create new value? In response, we formulated a vision for the 21st century with the aim of establishing long-term growth strategies. We based this vision on the concept of "DNP: P&I Solutions Provider."

DNP has two core competencies: the printing technology that we have fostered since our company's establishment, and the information technology that we began to acquire in the 1970s by using computerized typesetting and digital image processing. I believe it is becoming increasingly important for us to take a fresh look at the strengths that we have as a unique company, to blend those strengths at a higher level, and to add to that mixture our capacity for planning and technological development so that we can create new values by offering comprehensive solutions that serve our customers and society better than ever.

Throughout our history, DNP has listened to what it is that customers want, and has formed and re-worked things to fit the customer's needs. In the process of doing so, we have grown to be a company that is capable of proposing solutions to the problems of customers in all kinds of industries.

Our IPS Business, Still Growing by Double Digits

One of the solutions businesses that we are developing in line with our 21st century vision is IPS (information processing services).

Around 1970 we started making magnetic cards used as cash cards or credit cards, etc. As a result of later changes in this industry, we were authorized by credit card companies to start issuing cards that each contained different information. The technologies that we developed in order to allow us to handle different information for each individual consumer evolved into our IPS business, where in we issue things like bills for mobile phone services and credit card statements. In this business, we handle the whole billing process on behalf of our client companies, including printing out statements, matching each statement with the correct address label, and mailing them out. These operations require a high degree of security and accuracy.

At that point we started thinking from the point of view of marketing, and we began sending direct mail tailored to specific types of customers. Today we have developed to the point that we can propose the best life insurance or car insurance policies based on individuals' life circumstances. This service realizes the desire of our client companies to communicate effectively with consumers through information that has greater appeal.

The market for these IPS businesses has grown thanks to a general trend among corporations to do more outsourcing. Along with that growth, DNP's technologies and experience have won the trust of our client companies. In recent years these businesses have performed extremely well, and profits are continuing to grow by more than 10% per year.

Our Rapidly Growing Smart Card Business

In our smart card business, too, DNP offers comprehensive solutions. So far, we have controlled an overwhelming share of the Japanese market for magnetic cash cards and credit cards. We aim to use our dominance in this market to take advantage of the shift to smart cards in order to further expand our market share. DNP began developing operating systems for smart cards 20 years ago. We also have abundant experience in developing applications. DNP is the only company in the world capable of supplying general-purpose, multi-application OS cards for both MULTOS and Java systems.

As part of our overall card business, we started a "Card Data Management Service" (CDMS). It offers efficient solutions that include the instantaneous issuing of smart cards followed by reliable management of related data while guarding the security of cardholders' personal information.

As the overall smart card market has grown, DNP's smart card business has shown a rapid expansion in sales. This is a result of our providing our corporate customers with a comprehensive service that goes beyond simply manufacturing cards to offer application development and complete business solutions.

Providing Comprehensive IC Tag/RFID Solutions for What We Expect to be a Huge Market

IC tags were designed to be the next-generation product management tool. They are expected to be useful in a wide variety of ways. This is a field that is expected to develop into a huge market, and we have high hopes for DNP's participation.

As use of IC tags spreads, it is likely that the MIT Auto-ID Labs in the U.S. will play a leading role. In 2002, DNP became the first Japanese company to participate in its forerunner, the Auto-ID Center that was headquartered at MIT. In Japan, too, DNP has been working on standardization and other tasks by supporting the activities of the Ubiquitous ID Center here.

In addition, we are developing a variety of applications by promoting effective collaboration with customers and other industry players. For example, in November 2003, we collaborated with DoCoMo Systems Inc. to develop "Kids in Feel," a service that contacts parents by cell phone to inform them that their child has left school or cram school if the child flashes a non-contact IC tag near an IC reader at the classroom door.

In the IC tag business as in other businesses, we will not just focus on manufacturing tags. Rather, we will actively offer comprehensive solutions that include making use of collected data, managing security, and developing applications that address customers' concerns about features like traceability.

In order to allow client companies to experience advanced systems using IC tags, DNP established "IC Tag Experimental Workshops" in Tokyo and Osaka in October 2003. As of this writing, we have commenced negotiations for joint development with more than 550 companies.

I think DNP's real strength will be evident when we make maximum use of our talent for discovering and fulfilling customers' needs, by developing a variety of systems and services. We aim to increase our profits by providing useful solutions to customers, and by strengthening our solutions businesses based on the idea that "leading customers to success is our business."

Results This Fiscal Year

We Achieved Record High Sales and a Large Increase in Profits Despite a Harsh Business Environment

There were some fairly encouraging signs in the Japanese economy this term, such as a recovery in corporate profits and increased capital spending in the private sector, but because of the dearth of domestic demand, there was nothing to stop deflation. With personal consumption and housing construction still floundering, we can't yet call this a full economic recovery. In the printing industry, it was a very tough year, as orders were slow and unit prices sagged while the cost of paper and other materials rose.

Given this business environment, we tried to achieve good results by working actively to boost sales in our existing printing businesses and expand our business in the electronics sector while also striving to cut costs wherever possible. As a result, we posted record high consolidated net sales of 1,354.1 billion yen, an increase of 3.4% over the previous year. Operating income increased greatly, by 14.0% to 102.4 billion yen, and net income surged 84.1% to 52.9 billion yen.

All told, we achieved favorable results, so we increased our annual dividend payout by two yen to 21 yen. Last year we increased the dividend by one yen, so this was the second year in a row that we raised it. In the past, also, our basic policy has been to make stable dividend payments with increases when our performance allowed, and we intend to uphold this policy in the future. We also repurchased treasury stock this year for the second year in a row. This year we bought back 15,392,000 shares for 24,425.3 million yen. In the past two years, we acquired a total of 32,392,000 treasury shares, or 4.2% of all outstanding shares.

Obviously, our most important duty as corporate managers is to return profits to all of our shareholders. We work first and foremost to improve corporate performance and secure large profits, while at the same time strengthening our financial constitution and maximizing corporate value.

Situation by Segment

Looking at individual segments, we see increased revenues and profits in three: Information Communication, Lifestyle & Industrial Supplies, and Electronics.

The Information Communication segment benefited from an increase in orders related to commercial printing partly due to a pickup in advertising expenses in the second half of the fiscal year. Thanks to cost-cutting activities, this segment was able to absorb the effects of lower unit prices and higher paper prices and post higher profits not just for commercial printing but also for publishing and business form-related items. In order to reorganize our overseas production bases, we liquidated our publishing production subsidiary in Hong Kong, and moved its production work to subsidiaries in Indonesia, Malaysia, and Singapore. As a result, the segment's net sales grew 1.6% over the previous year, to 629.8 billion yen. Operating income was 43.7 billion yen, representing a large increase of 9.0% over the year before, and the operating income margin rose by 0.4 point to 6.9%.

DNP in the Future

Our Foundation is Solving Our Customers' Problems

As I said at the outset, in the future we will continue to actively pursue a solutions-based business that combines printing and information technologies in line with our 21st century vision. Rather than focusing on what we sell, our focus will be on what problems we solve for our customers. We will implement the following strategies as we work to increase revenues.

Sales strategy

Recognizing that the source of our profits lies in discovering and solving our customers' problems, we will pursue a business model in line with this idea. We will further strengthen ties among segments and take them to an even higher level.

Development strategy

We will position advanced technologies, development capabilities, and other intellectual property as an important source of revenues, and concentrate our energies on developing three things: technologies, products, and businesses. Taking into account the speed at which we need to develop new businesses, we will actively pursue alliances with corporations in Japan or overseas as needed.

Manufacturing strategy

We will improve our manufacturing efficiency by reducing inventories, works in progress, material waste, and lead time. We will also bolster maintenance and improvement of facilities, and make efficient capital investments.

Operational efficiency-boosting strategy

We will establish model workplaces for each business area, and build rational operational systems from scratch. In this way, we will foster a review of actual operations and aim for total operational efficiency.

Also, we made focused investments in strategic areas like expanding new production lines for fifth-generation color filters. As a result, sales in the Electronics segment increased 13.5% from the previous year to 236.4 billion yen. Operating income increased 16.6% to 33.0 billion yen, with an operating income margin of 14.0%.

On the other hand, in the Beverages segment, net sales and income at Hokkaido Coca-Cola Bottling Co., Ltd. fell below previous-year levels. The company has been struggling for the past few years, and this year it again suffered from a relatively cold summer and from severe price competition. Net sales fell 3.0% from the previous term to 69.7 billion yen, resulting in an operating loss of 372 million yen. We are working to get this segment back into the black quickly, by formulating a medium-term business plan called "Rebirth 2006" and by implementing radical reforms in order to promote reconstruction.

The Lifestyle & Industrial Supplies segment continued to experience a very tough business environment, dragged down by factors like sluggish personal consumption, but there were big increases in net sales of new products such as aseptic bottle-filling systems, optical film, and electrodes for lithium-ion rechargeable batteries. Increased revenues and profits by packaging-related production subsidiaries and increased sales related to industrial supplies helped boost the performance of this segment. In order to support expansion in our rapidly growing optical film business, we doubled production capacity at our Okayama plant. As a result, the segment's net sales increased by 1.4% year-on-year to 426.1 billion yen, and operating income grew 13.5% to 32.4 billion yen. The operating income margin rose by 0.8 point to 7.6%. In the fiscal year that ended in March 2002, this segment's operating income margin was 4.9%, but it increased by 2.7 points over two years thanks to smooth progress in cost-cutting in existing areas and steady growth in highly profitable industrial materials.

The biggest news in the Electronics segment is the rapid growth in the display market backed by a strong demand for liquid crystals, as discussed in the special section at the beginning of this annual report. We received more orders for color filters because we expanded the number of added-value products that we offer and reinforced our production systems. This led to unexpectedly strong growth in this area. In addition, there was a recovery in projection screens in the second half, contributing to double-digit growth in both sales and operating income in the Electronics segment. This year Electronics accounted for 17.5% of the net sales and 32.3% of the operating income reported in our consolidated financial results.

Environmental strategy

From society's point of view, protecting the environment has already become a mandatory condition of corporate existence. Based on a deep awareness of this fact, we will promote things like the development of environmentally-friendly products, use of environmental labels, and the purchase of green chemicals. In our factories, we will work actively to reduce waste, carbon dioxide emissions, and toxic chemical emissions.

Computerization strategy

We will make maximum use of the information technology that is one of DNP's strengths, take a fresh look at the overall picture of information distribution in our business, including customers and affiliated companies, and build systems that benefit society as a whole. Also, we will bolster our security-related technology and be thorough in legal compliance.

Aiming for Sustainable Increase in Shareholder Value While Fulfilling Social Responsibilities

We sincerely intend to resolve the various management issues that confront us, fulfill DNP's social responsibilities as a corporate citizen, and guide the company onto a sustainable growth track. In order to accomplish this, we feel it is essential that each DNP employee acts in accordance with the law and social ethics, and pursues our corporate activities from a comprehensive point of view that considers the environment, economy, and society.

Based on this belief, we have already established committees to address such issues as corporate ethical behavior, environmental concerns, product safety, information security, and the protection of personal information. We are continually working to strengthen legal compliance and address these various issues. We will do everything in our power to keep aiming for sustainable growth and to maximize value for all of DNP's stakeholders.



Yoshitoshi Kitajima
Chairman of the Board
President and Chief Executive Officer

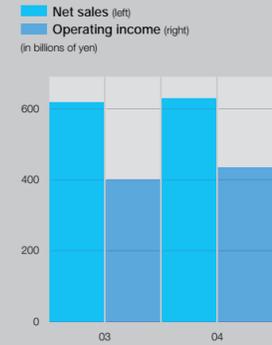
DNP's main businesses consist of three consolidated segments: Information Communication, Lifestyle & Industrial Supplies, and Electronics. Together, they contribute 94.9% of the Group's net sales. The company also has a beverages sector, which generates 5.1% of net sales.

Information Communication

The publishing of books and magazines was affected by the prolonged slump in the publishing industry. Sales of books and periodicals declined. In the commercial printing business, our aggressive sales efforts helped achieve a rise in orders for printing of items like advertising flyers and catalogs. And in the business forms area, we had good success with information processing services like personalized direct mail, as well as with smart cards, but sales of bank passbooks and ledgers were sluggish.

In the end, the segment's net sales grew 1.6% over the previous year, to 629.8 billion yen. Operating income rose 43.6 billion yen, or 9.0%, from the year before, and the operating income margin rose to 6.9%, from 6.5%.

Net sales: **629.8 billion yen**
Change: **1.6%**
Operating income: **43.6 billion yen**
Change: **9.0%**



Books and Periodicals
Books, magazines, dictionaries, textbooks, graphic art collections, corporate histories, historical reviews, and other published materials



Commercial Printing
Catalogs, advertising flyers, pamphlets, posters, calendars, point-of-purchase, event advertising materials



Business Forms
Continuous ledger forms for use with computerized accounting systems, packing and delivery slips for parcel deliveries, direct mail, stock certificates, gift certificates, all kinds of tickets, bank passbooks, plastic cards, smart cards, hologram products, IPS (information processing services)

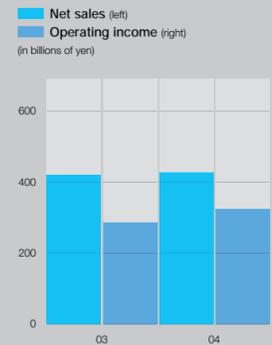


Lifestyle & Industrial Supplies

The Lifestyle & Industrial Supplies segment was affected by factors like sluggish personal consumption. In our packaging materials business, there was a drop in sales of paper dishes and paper cups, but sales of plastic beverage bottle preforms surged, and sales of film packaging materials also increased. Among decorative materials, products designed with environmental or health concerns in mind enjoyed bigger sales, but overall this sector was weaker than the previous year. On the industrial supplies side, sales of ink ribbons for plain-paper fax machines declined, but sales of ink ribbons for color printers increased. Also, there were big increases in sales of various types of optical film and electrodes for lithium-ion rechargeable batteries.

Overall, the segment's net sales increased by 1.4% year-on-year to 426.0 billion yen, and operating income grew 13.5% to 32.4 billion yen. The operating income margin rose to 7.6%, from 6.8%.

Net sales: **426.0 billion yen**
Change: **1.4%**
Operating income: **32.4 billion yen**
Change: **13.5%**



Packaging
Printed packaging products for food and beverages, cosmetics, pharmaceuticals, environmentally friendly containers



Industrial Supplies
Transfer ribbons for color printers and fax machines, optical film for displays, electrodes for lithium-ion rechargeable batteries

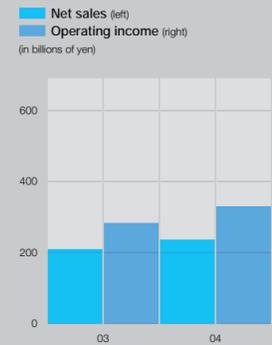


Electronics

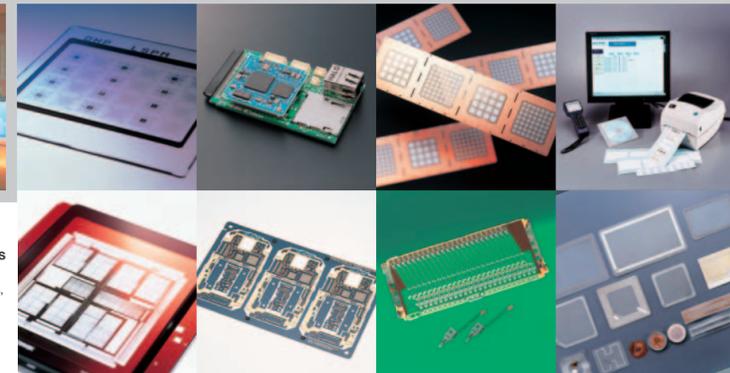
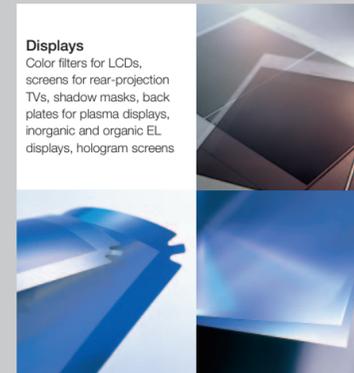
In this segment, sales of shadow masks declined amid sluggish demand in the PC monitor market. Exports of photomasks were also slow. On the other hand, sales of projection screens grew amid increased demand for their use in televisions. There was a big increase in orders for color filters for use in both PC monitors and televisions.

As a result, net sales by the Electronics segment increased 13.5% from the previous year to 236.4 billion yen. Operating income increased 16.6% to 33.0 billion yen, and the operating income margin rose to 14.0% from 13.6%.

Net sales: **236.4 billion yen**
Change: **13.5%**
Operating income: **33.0 billion yen**
Change: **16.6%**

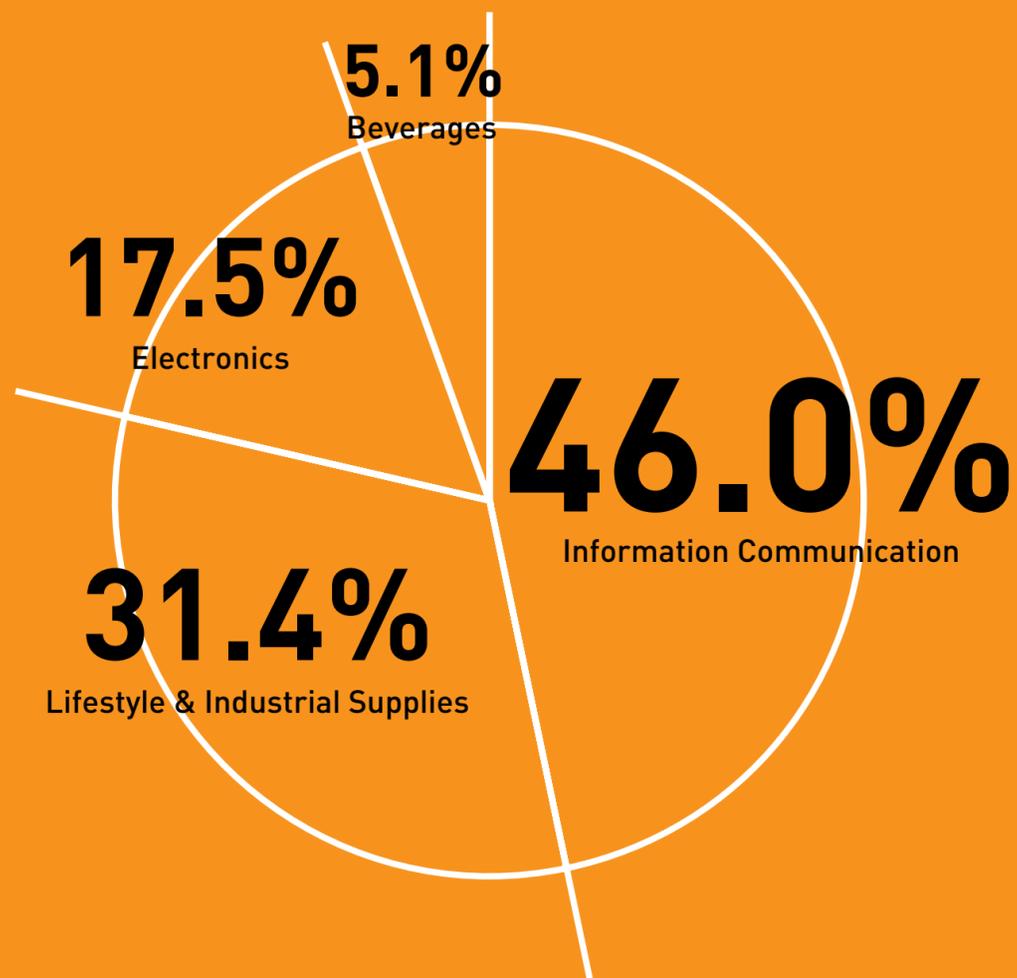


Displays
Color filters for LCDs, screens for rear-projection TVs, shadow masks, back plates for plasma displays, inorganic and organic EL displays, hologram screens



Electronic Components
Photomasks, lead frames, package substrates, IC tags, on-chip color filters, other chemical etching products

Net Sales By Consolidated Segment



Solutions Business Themes

DNP uses the knowledge and skills we have accumulated over the years to offer flexible solutions to problems that our corporate clients face. For example, "How can we make our daily operations more efficient?" "How should we compile data that will help us effectively promote sales?" "What makes a sales promotion scheme appealing?" "What should we do to protect our corporate data and our customers' personal information?"

<p>Production & Distribution Operations</p> <ul style="list-style-type: none"> Boosting the efficiency of receiving/placing orders for materials Databasing of product information Production line control systems Delivery and distribution systems Payment collection systems Boosting the efficiency of manufacturing operations
<p>Administrative Operations</p> <ul style="list-style-type: none"> Intellectual property rights support Purchasing systems ID issuing and management On-line accounting systems Computerization of corporate information
<p>Public Relations</p> <ul style="list-style-type: none"> Corporate communication support Archiving of corporate information IR solutions
<p>Training-related Operations</p> <ul style="list-style-type: none"> Computerized training programs Educational materials production support Editing of curriculum information
<p>Sales Promotion Operations</p> <ul style="list-style-type: none"> Product development support Enhancement of sales methods Marketing and research Promotional strategy proposals Boosting the efficiency of sales tool production Presentation support tools Management of customer data

Solutions By Segment

Information Communication

(Books & Periodicals; Commercial Printing; Business Forms)

Not only does DNP process information using new types of media, we handle every step from planning and content creation through the delivery of finished products. We offer more effective, 21st-century information and marketing strategies that ease the burden on customers in a wide variety of industries and help deliver their messages to consumers with greater speed.

In order to protect personal data in today's information society, we need to establish strong security systems. We offer a large number of security systems using smart cards

- Editorial support systems
- Personalized DM – Catalogs
- On-demand publishing
- Cross-media solutions

Lifestyle & Industrial Supplies

(Packaging; Decorative Materials; Industrial Supplies)

DNP has been finding new uses for printing technologies in the development of products that become an intimate part of modern daily life and are indispensable to industry. Our reliable manufacturing technologies also serve as a base from which we develop a variety of solutions to make life more convenient and safe. In addition to environment-oriented solutions, these include product development, design, machinery design, system engineering, and sales promotion.

- Packaging design system/s
- Product tracing systems
- Online System for Team Package Design Editing
- Asceptic container-filling systems
- Decorative materials environmental impact assessment system
- Food and beverage-related market research

Electronics

(Displays; Electronic Devices)

Virtual plant solutions allow customers to use the world-class electronics processing technologies of DNP's manufacturing facilities as if they were inside the customer's own factory. Every process from ordering to delivery can be easily confirmed. We also provide turnkey business solutions that handle everything from semiconductor circuit design to the production of final, packaged products. In other words, we offer high value-added services that go far beyond manufacturing.

- LSI design
- Turnkey businesses
- Virtual plant systems

Digital Solutions

Network/ Data Base Solutions

We offer a variety of solutions using applications and networked systems.

Providing Functionality for Websites

- Development and setup of all kinds of active server pages (ASP)
- Electronic application services/ e-statement issuance
- Measurement of Web functions
- Recommendation systems
- Account settlement functions

Frameworks for Content Sales

- Distribution platforms
- Protection from unauthorized content distribution
- Issuance of content IDs
- Copyright protection system

Database & Customer Relationship Management Solutions

- CRM support for loyalty point cards
- Marketing data mining
- Marketing information mapping

Operation of Information Sites

- Digital content sales
- Map information
- Shopping guides for mobile phones
- Incentive Marketing

Smart Card Solutions

DNP doesn't just manufacture cards, we also propose and develop operating systems and applications. We provide total solution support, from concept to operation.

Smart Card Introduction Support & Consulting

DNP chip migration program

Smart Card Issuance Service

- Contact smart cards
- Native OS
- MULTOS
- Java Card™
- Non-contact smart cards
- Types A&B
- FeliCa®
- Hybrid cards
- Dual-interface cards

Smart Card Software Development

- OS
- Native OS
- MULTOS
- Java Card™
- Desktop applications
- Drivers

Smart Card Peripheral Sales

Writing/reading devices; card issuance systems; gate systems, etc.

IC Tag Solutions

Because DNP manufactures books and food packages, we are in the best position to attach IC tags to individual products.

Applications Development

- Product distribution management/ tracing systems
- Admissions systems for conferences & concerts
- Electronic notification when children leave school
- Electronic posters

IC Tag Peripheral Sales

Navigation carts; IC tag reader/writers

Backup Systems

DNP has created powerful backup systems that allow us to offer a variety of solutions

- Security systems** From acquisition of Privacy Mark, ISO, etc., IP rights protection and software development, hardware enhancement, etc.
- Internet data center** Data center/s to support website operation; hosting and housing support; Can also be used to provide smart card data services
- Database management** Analysis and processing of purchasing histories and response data, for use in sales promotions and customer strategies
- Distribution platforms** Platforms for clients who run e-businesses or content distribution, etc.; includes copyright protection, accounting, authentication functions

Agency Functions

DNP is prepared to perform a variety of tasks on behalf of clients, in order to help them get their business done

- Project management** Market research, project proposals, construction of framework for running campaigns, etc., total support for all kinds of projects
- Creative support** Production support for all kinds of media, including Internet, printed materials, and animation
- Fulfillment support** Back-end support through order centers, customer centers, logistics, payment collection, campaign office management, etc.

Information Communication

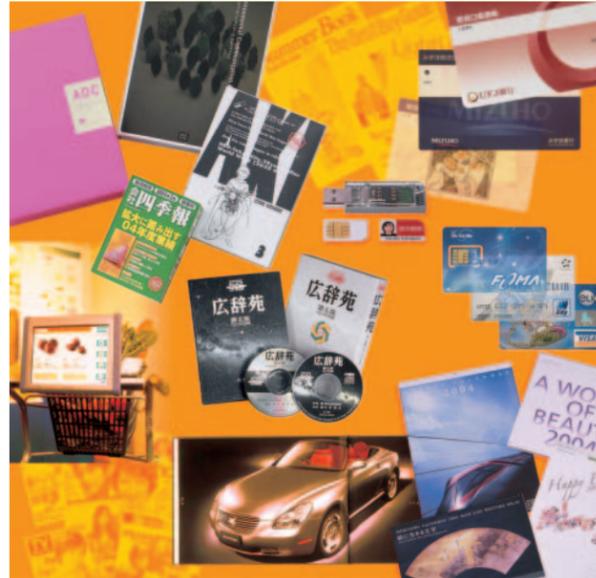
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➤ Profile

The Information Communication segment consists of three sub-segments: the printing of books and periodicals, which has been one of our core businesses since DNP's founding, commercial printing, and business forms. This segment covers a wide variety of media, including both paper and electronic media, such as Internet and DVD publishing, satellite broadcasting, and services designed for mobile telephones. We put together solutions that combine our own expertise in market research, project planning, system development, media content production and distribution, data security management, etc., in order to help our clients use the most effective media and methods for delivering information.





With society's information infrastructure changing as rapidly as it is today, information distribution has become more important than ever. As media formats become increasingly diverse, dealing with paper media is no longer enough. We must also be able to handle electronic media, including Internet-based media.

Rather than seeing this trend as a threat to our business, we see it as a huge opportunity. We can make the most of DNP's corporate strengths by fusing Information Technology together with the Printing Technology that DNP has cultivated since the birth of our company. By redefining the scope of our business to include the entire framework of information distribution, we can expand it into a new, solutions-based business that benefits consumers and corporate clients.

Fusion of Printing Technology and Information Technology

We will combine the Printing Technology that DNP has cultivated since our founding with the Information Technology that we have built up since the 1970s, in order to offer unique solutions to our customers.

Production Solutions and Business Design Solutions

On the "Production Solutions" side, we will increase our ability to process and distribute information in formats that are optimized for each medium, and offer solutions to our customers' problems by combining the production of diverse media with auxiliary services. On the "Business Design Solutions" side, we will use DNP's IT and project planning skills to create essential frameworks for our clients' businesses. In our relationships with clients, our goal is to establish DNP as an irreplaceable partner.

Developing New IT Technology and Making Information Secure

Through our printing business, we acquired expertise in handling massive amounts of information, along with a strong awareness of the importance of maintaining tight security when handling sensitive information. Using these assets as a starting point, we will develop a new business domain that offers information management solutions, including the development of new IT technologies, the streamlining of customers' information-related operations, and services related to information security.

Major Policies

Expanding our business through P&I Solutions

Until recent years, production was our main business. Now we are moving beyond production in order to further expand our solutions-based business. We can accomplish this by combining our core technologies – Printing and Information – so that we can create unique solutions that only DNP can offer.

In this segment, we have come up with a variety of ideas aimed at increasing the added-value of our products, including project planning, design, and marketing strategies. In the future, we will increase the workforce in our planning department, where most of this activity takes place, and boost our capacities for sales, planning and proposing, and system development. This will enable us to better respond to our customers' problems with comprehensive solutions centered on DNP products and services like IC tags, on-demand publishing, and personalized direct mail. It will also allow us to actively offer solutions that create new frameworks for our customers' enterprises.

Going forward, we aim to expand our revenues by increasing the proportion of the solutions-based business that we do.

By strengthening ties among product sectors, we can target our customers' entire value chains

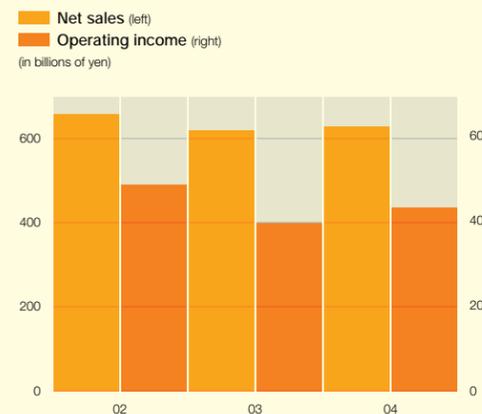
From now on, we will be focusing on strengthening ties among our various business sectors, so that we can offer operations and solutions tailored to each customer's particular industry, and so we can develop systems that will allow us to offer comprehensive services. By providing products like IC tags, information processing services (IPS), and smart cards, we can expand businesses that target each customer's entire value chain, from production through distribution to account settlements.

In addition, we will also actively offer solutions for problems that transcend industry boundaries, such as issues related to operational control or the streamlining of management.

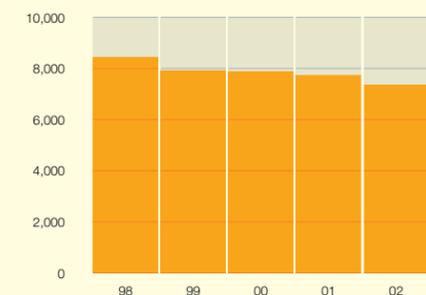
Summary of Results

Financial Highlights

	(in billions of yen, %)		
	2004.3	2003.3	2002.3
Net sales	¥629.8	¥619.9	¥659.2
Operating income	43.6	40.0	49.0
Operating income margin	6.9%	6.5%	7.4%



Trend in Value of Shipments and Added Value for Printing and Related Industries (For manufacturing establishments with four or more employees) (in billions of yen)



Ministry of Economy, Trade and Industry: Preliminary Reports of Industrial Statistics

Business Environment

There were some encouraging signs in the Japanese economy this term, such as recovery in corporate profits and increased capital spending in the private sector, but because of lingering problems like stagnant personal consumption, the economy has not yet reached a full recovery. For the printing industry, like other industries, the environment remained harsh due to such factors as sluggish orders, sagging unit prices due to intensified competition, and higher materials costs.

While it was already struggling because of this environment, in 2003 the Japanese publishing industry was also hit by trends like more widespread access to the Internet, increased use of libraries, and expansion of new markets for used books. Therefore, gross sales fell 3.6% compared to the previous year. Although advertising expenditures began to climb after the summer, they were still low in general, and ended up 0.3% below the previous-year level. Sales of business forms dropped, mainly due to a decline in ledger sales.

Financial Summary

Despite tough environmental conditions, such as an overall sluggishness of demand for printing, lower unit prices, and higher paper prices, we worked actively at boosting sales. This was an uphill battle in the arena of books, periodicals, and business forms, but in the field of commercial printing, our efforts bore fruit. As a result, net sales for the Information Communication segment this fiscal year grew 1.6% over the previous year to 629.8 billion yen.

Thanks to the success of aggressive cost-cutting activities and to an increase in more profitable businesses such as IPS, the segment's operating income increased by 9.0% to 43.7 billion yen, and its operating income margin rose to 6.9%, from 6.5% a year earlier.

Books and Periodicals

Due to the prolonged slump in the publishing market, net sales of books and periodicals (including weekly and monthly publications) fell below previous-year levels.

An estimated 239 new periodicals were launched in Japan in 2003, compared to 201 the previous year. DNP won contracts for printing 54 of the new periodicals, or 23%. Also during 2003, the number of periodicals that stopped publishing was 149, compared to 147 the previous year. Of these, 29, or 19% were printed by DNP.

In order to boost orders, we worked on developing new

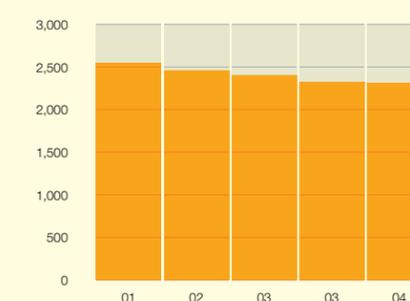
customers and winning printing contracts for new publications. And as publishers strengthened their Internet businesses, DNP promoted sales of website construction and database systems. In the realm of eBooks, DNP worked to promote more a widespread distribution of e-books and other digital contents. We were among the founders of the Electronic Book Business Consortium created in October 2003 to distribute digital contents for the "Sigma Ebook" reader developed by Matsushita Electric Industrial Co. A month later, DNP joined Kodansha Ltd., Shinchosha Co., and other publishers as a capital participant in Publishing Link Ltd., which sells content for Sony Corp.'s e-Book reader, "LIBRIÉ."

Commercial Printing

On the whole, corporate advertising expenditures have been low. But they did show signs of recovery in the second half of the fiscal year, suggesting that they may have finally hit bottom. Due to the poor environment, we actively worked at supporting the promotional activities of our best customers. Sales of things like leaflets, catalogs, and point-of-purchase items increased, raising total sales in this area above the previous-year level. We enjoyed strong sales in catalogs for the mail-order industry, leaflets for specialty shops and real estate agencies, and promotional materials related to automobiles and cosmetics. These areas contributed most to the growth in sales.

We also had good results from using IT in the production of promotional materials. For example, we received high marks for the efficient production system that we constructed by creating databases of product images and using our own corporate network to send data electronically. Mass retailers of electric appliances adopted our system for printing their large newspaper inserts.

Publishing Industry Sales (in billions of yen)



All Japan Magazine and Book Publisher's and Editor's Association: Publishers' Research Institute

Business Forms

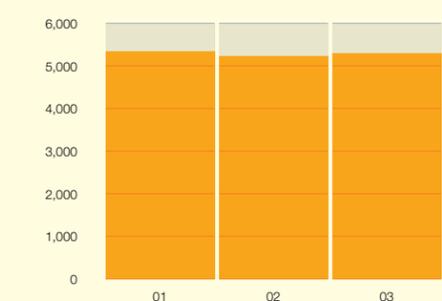
In the Business Forms sub-segment, we saw good growth in personalized mail and other information processing services (IPS), and in new products like smart cards, but sales of other products, such as ledgers, stock certificates, and date books, declined due to factors like shrinkage in expense accounts and a trend toward paperless data management. Sales in this sub-segment were smaller than the previous year.

In the IPS area, billing statements and direct mail for the telecommunications sector increased thanks to strong sales of third-generation mobile phones. Now that banks have started offering insurance and securities-related products, the banking industry has been ordering more promotional materials. In recent years, the public has become more aware of the need for protecting the privacy of personal information, so security has gained importance in the IPS field, which involves the handling of personal data. The extent to which a company can be trusted to keep data secure has become an important criterion for deciding whether or not to place an order. This fiscal year, one of the efforts we made to reinforce the already tight security of our information management systems was to earn the "Privacy Mark Certification."

In addition, we worked on expanding our share of the smart card market, which we already dominate in Japan. Based on our ability to develop our own operating systems and application software, we have developed cards for all kinds of uses, including credit cards and other financial applications, railway, highway tolls, and other transportation-related cards, and cards for telecommunications services such as mobile phones and digital broadcasting.

In March 2004, we opened our "Card Data Management Service" and began offering related services, such as smart card issuance and reliable data management.

Advertising Industry Sales (in billions of yen)



Ministry of Economy, Trade and Industry: Survey on Selected Service Industries

Active Participation in the Launch of Electronic Publishing Businesses

Making the most of proprietary IT and ties with publishers

DNP is an active participant in the electronic publishing market, which is growing as society becomes increasingly networked. DNP joined 14 other companies, including Sony Corp. and major Japanese publishers Kodansha Ltd. and Shinchosha Co., in establishing "Publishing link Ltd." in the spring of 2004. This new company began offering the rental of content provided by authors, copyright holders, and publishers. Users access the content via the Internet.

On its own, DNP offers On-demand Books, as well as electronic books and other content that can be purchased and downloaded through the DNP website's "Web Library." As of February 2004, we began selling regular books this way. These new services allow our customers to purchase the books they want in the formats they want. By making full use of DNP's proprietary information technology and long-standing ties with publishers, we have been able to actively advance our electronic publishing business.



EBook reader

Smart Card Security Solutions for a World of Ubiquitous Networking

Pioneering a new type of service: Making smart card issuance easy while maintaining data security

Since April 2004, DNP has been operating its new "Card Data Management Service," which handles card-issuing operations and the management of the data recorded on cards, on behalf of companies that issue smart cards. DNP's service makes it possible to issue cards instantaneously and quickly replace lost cards, while maintaining adequate security. By controlling the card issuer's information, cardholders' information, passwords and other verification data, etc., DNP lightens the operational burden on card-issuing clients. In other words, rather than just manufacturing smart cards, DNP offers total smart card solutions.

DNP puts smart cards to work in data storage and wireless LAN security systems

As corporations become more and more conscious of the importance of protecting the security of their data, DNP has developed a data storage system called "TranC'ert DNA" which divides electronic files for storage, encodes them, and stores them in separate pieces. The conditions for restoring the divided files and keys for decoding them are stored on smart cards whose internal memory cannot be accessed even by the cardholders themselves.

In order to address security weaknesses that have been found in wireless LAN systems, DNP developed a version of TranC'ert that controls access to communications devices and encodes transmission contents to prevent eavesdropping. By developing these types of smart cards and applications that use electronic verification technologies, DNP has helped raise the level of information security.

Development of security tools for Authenticating specific people

Today, authentication technology that uses biometrics is said to be the most advanced security tool in the world. In collaboration with silex technology, Inc., DNP developed Japan's first portable authentication tool and reader/writer designed specifically for use with a universal identity module (UIM) containing a fingerprint sensor. Because the program and fingerprint data are stored on IC chips, the device completely prevents the use of certificates, etc., by anyone other than the fingerprint owner. Its small size and portability are also pluses.

In addition, DNP also developed the first smart card-based voice authentication system in Japan, in cooperation with Animo Ltd. DNP plans to continue using alliances with other companies to actively develop distinctive, security-related products.



Portable authentication tool

Focusing on the Development of IT-centered Solutions

Offering new solutions using IT for the cosmetics and beauty industries

In March 2004, DNP developed two systems for the cosmetics and beauty industries: one that combines smart cards and networking technology to display simulated use of various cosmetic products on a computer screen, and another that manages customer data. Customers are issued a "smart" member's card that allows their data to be shared among all outlets connected to a corporate group. No matter which outlet the customer visits, employees can immediately view the customer's purchasing history, color preferences, and other information. Photos of the customer's face, taken with a digital camera, are registered with DNP's Card Data Management Service. The customer can freely access these photos in order to try simulated applications of various cosmetic products.

DNP also developed a hair color simulation system using mobile phones. Going forward, DNP will continue to develop diverse solutions that take advantage of our close ties with a wide variety of industries.

Providing mail order sales systems and editing support tools for publishers

DNP developed "CommerceLine," a comprehensive system for supporting mail order sales operations, in order to improve the efficiency of existing operations and to support businesses that plan to enter the mail order sales business. DNP made the system commercially available as of March 2004. The system provides comprehensive support for the growing mail order market, and responds to increasingly diverse sales channels and methods. It manages every aspect of a mail order business, including order processing, customer record maintenance, account settlements, merchandise control, and distribution management. DNP's total operational support even helps with things like business and marketing planning, and customer royalty management.

In April 2003, we released "EdiPlanner 2100," an editorial support system for publishing companies. The system allows publishers to monitor the progress of pre-press production operations in real time, through the DNP website. It is especially helpful for publishers of periodicals whose publishing deadlines are very strict, because it allows the printer and publisher to stay on top of each other's progress solely through online communication. In the future, DNP plans to further enhance editorial support services, for example by expanding its capacity for electronic document submission and revision, upgrading digital support for photography and design, databasing DNP data, and supporting secondary uses of printed content. Our ultimate aim is to establish a fully digitized work flow for publishing and printing operations.

DNP: actively creating IT solutions in a variety of fields

DNP is actively developing IT solutions from a variety of approaches. In January 2004, we released two new systems for sending coupons to cell-phone users in the form of bar codes. One system is designed for shopping malls and commercial districts, and the other is an interactive service designed for digital television broadcasters.

Under the "Cell Phone-Based Two-Dimensional Code Coupon System," consumers can use their cell phones to register via a web site and receive coupons. They then display the coupon bar code at the point of sale in order to receive various premiums. With the televised system, consumers use their cell phone's camera to photograph a coupon code displayed on their television screen. This allows them to easily access a related website, using the cell phone's Internet access. This system is perfect for encouraging viewers to access a "gift site" while a program is being broadcast.

In March 2004, DNP and Anoto Nippon K.K. together released an educational support system using a digital pen. As a teacher uses this pen to mark students' responses to test questions with an "O" (correct), "X" (incorrect) or Δ (partially correct), the pen automatically generates digital data in real time, compiling each student's individual results as well as digitizing the response data for each question across the student body. DNP developed the application for this project and also produces the test answer sheets.

That same month, DNP also began marketing "AD-Powers®," a computer grid configuration program. The system detects which computers in an office are not being used, and allocates their computing power for use in complex computing operations that are speeded up by being spread over multiple computers.

Developing New Business Models Using IC Tags, an Area with Enormous Potential for Growth

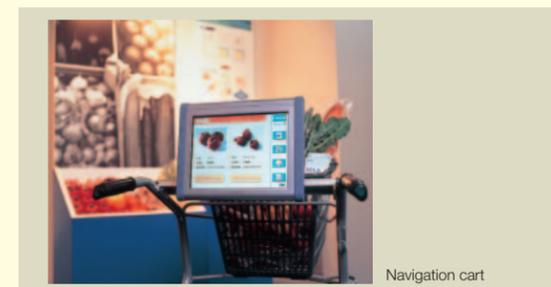
Developing more solutions using IC tags

DNP has been building a large number of new business models that employ IC tags – the bar codes of the next generation. In March 2004 we began providing a service called "KIDS IN FEEL," which we developed in collaboration with DoCoMo Systems Inc. Under this system, children carry a non-contact IC tag. When they pass an IC reader at their school's exit, the system automatically alerts their guardian's mobile phone with the time that the child left school. Due to a rise in violent crime, parents are increasingly concerned about the safety of their children as they move between school, home, and extracurricular activities. We plan to expand this system by gaining the cooperation from railroad operators, so parents can be informed not only when their children leave school or after-school activities, but also when they pass through train stations.

DNP has also developed a "navigation cart" for supermarkets, consisting of a computer-equipped shopping cart. The computer receives information via wireless LAN about products that the store carries and where they are located.

In February 2004, we commenced marketing our "ACCUWAVE® Starter Kit." The kit includes a label printer that can encode IC tag information, and everything needed to easily start managing incoming and outgoing shipments and inventories of merchandise or materials.

In October 2003, we established "IC Tag Experimental Workshops" in Tokyo and Osaka as part of our effort to expand the IC tag market. In addition to serving as venues for negotiating new contracts, these are forums where we can make presentations to potential client companies and exchange information. In the future, we intend to increase our revenues by actively engaging in sales promotion activities and application development aimed at specific clients, in order to promote the corporate use of IC tags.



Navigation cart



IC Tag Experimental Workshop

Lifestyle & Industrial Supplies

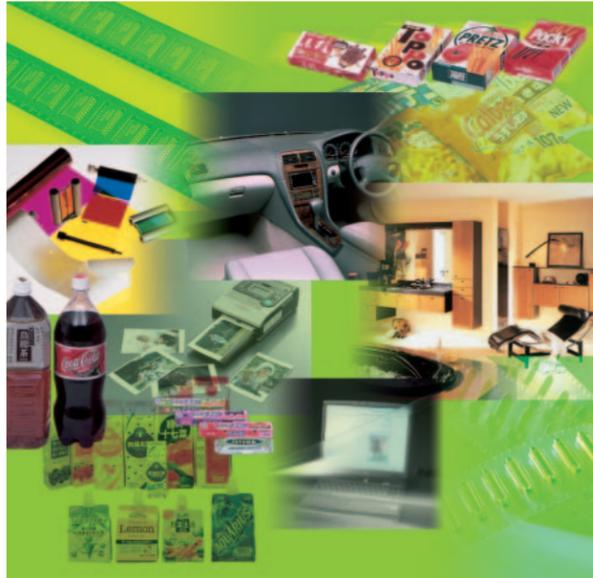
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➤ Profile

The Lifestyle & Industrial Supplies segment contains three sub-segments: Packaging, Decorative Materials, and Industrial Supplies. All of these operations handle a large number of products that are closely connected with ordinary people's lives. Starting with printing on non-paper materials like film or steel, we use coating and etching technologies and other basic printing skills to make products like optical film used in electronic displays. DNP is the world's largest supplier of a number of products, including ink ribbons for facsimile machines and bar code printers, and color ribbons for printing photos from digital cameras.





At DNP's Lifestyle & Industrial Supplies segment, there are three main concepts that we keep in mind as we develop businesses aimed at realizing a more comfortable society: functionality, environmental responsiveness, and greater added value. This segment is working on boosting sales both in Japan and overseas. Our aim for the packaging and decorative materials sectors is to secure stable growth by developing products with a strong focus on functionality and environmental concerns. For the industrial supplies sector, DNP aims to actively develop new categories of products and products with high added value, in order to develop new markets.

Functionality and Environmental Responsiveness

Guided by the concepts of universal design and environmental responsiveness, we will continue to develop functional, environmentally friendly products that meet the consumers' desire for greater safety, better health, more comfort, and greater convenience.

Adding Greater Value

Coating technologies have already transformed and expanded DNP's business. With these technologies as a center, we will further explore potential uses for printing technologies and actively develop products and services with high added value.

Developing New Businesses in Industrial Supplies and Related Fields

We will take a broader view of our market and create new businesses by developing advanced and unique technologies and products in growing fields like electronics, energy, and recording materials.

Major Policies

Industrial supplies business to actively invest in electronics

In our industrial supplies business, we will actively invest in increasing production capacity of high-function optical film for the display market, which we expect to grow rapidly in the future. DNP is already the world's largest producer of this type of film. By May 2005, we intend to invest 5 billion yen to add a fourth production line at DNP's main production base in Okayama. This new line, together with the third line that we started operating in February 2004, will give us four times the production capacity that we had in 2003. Through this investment, we are further solidifying our prospects for winning 75-80% of the world market for this product.

Reinforcing our lineup of functional, environment-friendly packaging products

There is little chance of a dramatic increase in the Japanese population, so we don't believe we can expect a significant rise in demand for our packaging products, which consist mainly of food packaging. However, increasing concerns about environmental preservation and food safety are giving rise to a demand for new functionality in packages, and thereby creating new business opportunities for us. There is a steadily growing demand for products that are designed to use less plastic, and for systems that allow our client companies to save money or

put less of a burden on the environment as they manufacture their products. And in response to consumer concerns about food safety, we are providing tracing services whereby we manage information about ingredients, processing and distribution by building databases. Going forward, we aim to flexibly respond to these kinds of market needs, and shift more toward high value-added products to boost our competitiveness.

Decorative materials business to focus on environment-friendly, high value-added products

Because we are unlikely to see a sharp increase in demand for residential construction in Japan, our decorative materials business will seek to secure profits by adding more value. We will expand our "Super Egos" line of highly scratch-resistant, soil-resistant, environment-friendly decorative sheet, and our "Ecostandard WS Safmare" line of non-PVC decorative sheet for residential interiors. Also, we will actively work to boost sales in overseas markets where there is strong demand for cosmetic sheet used to cover furniture, etc.

We intend to further enhance our portfolio while keeping our focus on environmentally friendly, high value-added products, and actively market our products in the United States and the rest of the world.

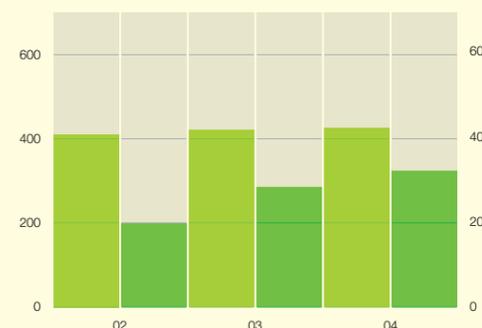
In addition, we opened a "living space analytical evaluation center" in our Okayama plant, and began providing measurements and assessment services of living environments as part of our plan to increase solutions-based business in the field of residential environments.

Summary of Results

Financial Highlights

	(in billions of yen, %)		
	2004.3	2003.3	2002.3
Net sales	¥426.1	¥420.1	¥410.9
Operating income	32.4	28.5	19.9
Operating income margin	7.6%	6.8%	4.9%

■ Net sales (left)
■ Operating income (right)
(in billions of yen)



Business Environment

Japanese convenience store sales increased somewhat this term, but department store and supermarket sales continued to decline. In fiscal 2003 as a whole, overall personal consumption only grew about 1.6% over the previous year.

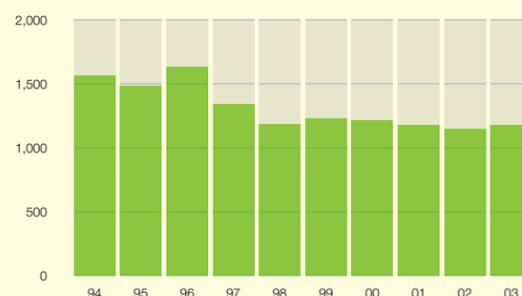
At the same time, due to uneasiness about employment and future economic prospects, housing starts increased only 2.6% from a year earlier.

Financial Summary

Overall, the business environment remained tough, as prices slumped amid slack personal consumption and increased competition. Sales of decorative materials and related products declined, but packaging sales were good. In the industrial supplies area, sales picked up for high-function optical film used in LCDs. Sales for the segment as a whole amounted to 426.1 billion yen, an increase of 1.4% over the previous year.

Thanks to cost-cutting benefits at packaging-related manufacturing subsidiaries and increased sales of industrial supplies, the segment's operating income increased 13.5% to 32.4 billion yen, and its operating income margin rose to 7.6%, up 0.8 point from a year earlier.

New Construction Starts of Dwellings, by Owner Occupant Relation
(in thousands of units)



Ministry of Land, Infrastructure and Transport: Preliminary Report on Construction Starts

Packaging

With personal consumption basically flat, sales of paper dishes and paper cups declined, but there were solid sales of film packaging and plastics. Like last year, three more beverage manufacturers adopted our aseptic filling system, which led to a large year-on-year increase in sales of preformed containers.

Our aseptic technology has won high acclaim, and we have now sold a total of 16 aseptic filling lines. In addition, sales of IB film increased, as this product has been adopted as a more environmentally friendly replacement for vinyl chloride in small pouches for sauces, etc.

Decorative Materials

We enjoyed good sales of eco-friendly, non-PVC materials for residential interiors, but exports to North America declined to below the previous-year level. We expanded our "Ecostandard WS Safmare" line of environment-friendly decorative sheeting, and improved its functionality by enhancing qualities like scratch and stain resistance. Also, we opened a "living space analytical evaluation center" in our Okayama plant, and began providing residential environment measurement and assessment services.

Industrial Supplies

Ink ribbons are the mainstay of this sub-segment. Sales of ribbons for facsimile machines declined, but sales of those used in digital camera printers increased sharply. Sales of electrodes for lithium-ion rechargeable batteries doubled. We also enjoyed a sharp increase in sales of high-function optical film, especially anti-reflective film used in polarizing plates on LCDs.

In order to meet the big increase in demand for high-function optical film, we doubled production capacity at our Okayama plant and reinforced our supply systems.

In July 2003, DNP and SAGEM SA, France's second largest communications equipment maker, jointly established a company called Compagnie de Découpe de l'Ouest-CDO SAS to assemble thermal-transfer ink ribbons used in facsimile machines. As a result, DNP improved its position for supplying these ribbons to the European market.

Expanding Revenues Through Environment Strategy

Distinguishing itself from competitors through sophisticated environmental evaluation technologies

As society becomes increasingly sensitive to environmental concerns in general, the media has raised the issue of sick house syndrome and other problems with air quality in modern living environments. Accordingly, demand has been sharply rising for products and services related to eco-friendly building materials.

Against this background, DNP became the first in Japan to receive ISO17025 certification for processes used to measure volatile organic compounds (VOCs) released by construction materials. Our certified technology uses a heat-desorbing gas chromatograph to measure five substances including toluene, xylene, and ethylbenzene, and to quantify total volatile organic compounds (TVOC). DNP plans to apply for expanded certification to include measurement of formaldehyde and acetaldehyde using high performance liquid chromatography. Through these environmental evaluation technologies, DNP is distinguishing itself from competitors and increasing the speed at which we can develop environment-friendly products.

Developing a diversity of eco-friendly products

This fiscal term, the most important eco-friendly products that we developed for the decorative materials market were "HT Floor/Hyperfloor," an environmentally friendly, high-function decorative sheet used for flooring, and an updated version of our original eco-friendly decorative sheet for residential interiors, "Ecostandard WS Safmare."

Environmentally friendly HT Floor/Hyperfloor is made from a non-polyvinyl chloride base, and printed with ink that is free of harmful substances. What's more, this flooring is highly resistant to dirt and abrasion. This ease of maintenance is achieved without using solvent-based coatings, thanks to DNP's unique electronic beam hardening technology.

The new version of Ecostandard WS Safmare makes this product more environmentally friendly than ever. It is made from a non-PVC base, and does not contain any of the 13 VOCs subject to Ministry of Health, Labor and Welfare guidelines, or any of the five VOCs for which the Ministry of Land, Infrastructure and Transport has established threshold values. It is the first product to earn DNP's ECO mark, which adheres to ISO 14021 standards. We intend to keep the total picture of health, environment, and safety in mind as we continue to develop businesses related to living environments.

DNP dye sublimation thermal-transfer ribbons accredited for Type III environmental label EPD®

DNP is the world's largest manufacturer of dye sublimation thermal-transfer ribbons. The Swedish Board for Accreditation and Conformity Assessment (SWEDAC) accredited our product as meriting the world's most advanced declaration of environmental responsibility: environmental label Type III EPD®. DNP is the first printing company in the world to receive this accreditation. The certification process involves quantifying the product's environmental impact over its entire life cycle, using procedures for Life Cycle Assessment (LCA) that conform with ISO14040 standards. In other words, it is an objective guarantee based on high-quality, internationally recognized LCA data.

As the world's largest supplier of dye sublimation thermal-transfer materials, DNP is demonstrating through this certification that we take environmental preservation seriously and are actually doing something about it. At the same time, we are using the LCA feedback to help us make our environmental management systems even more effective.

DNP develops a solar battery filler sheet that rises to the challenge of a recycling-oriented society

About 80% of the total weight of a solar-battery module consists of glass and the cells that actually generate power. These materials are bonded strongly to the rest of the battery, which is a problem when the time comes for recycling or reusing. DNP has developed a new type of filler sheet for solar battery modules, which makes it possible to completely separate glass and solar cells from the rest of the module in used solar power generation systems, so that these parts can be reused. In October 2003, DNP established mass-production systems for the new filler sheet.

The filler sheet developed by DNP does not generate toxic gas during manufacturing processes or combustion, and allows complete separation at the time of disposal. This makes it possible to reuse the solar cells after separation.

Reinforcing High-function Optical Film for Displays, and Developing New Businesses

For the rapidly growing display market: boosting film production capacity and developing new products

The market for electronic displays is growing rapidly with the spread of "ubiquitous society." DNP produces core materials used in displays, including 40% of the various high-function optical films used worldwide to protect display surfaces and prevent glare. In March 2004, we invested about 2 billion yen in our Okayama plant, where we installed a third production line for making PDP film and anti-reflective film used in polarizing plates on LCDs. In May 2005, we plan to invest around 5 billion yen to install a fourth production line there. This will give us the capacity to produce 40 square kilometers per month, or four times our 2003 capacity, and we plan to expand our market share to 75-80%. Also, in October 2003, DNP and Fuji Photo Film Co., Ltd. completed the joint development of a high-function anti-glare film for LCDs. These are examples of how DNP is taking flexible measures like boosting production capacity and forming alliances, in order to respond to rapid growth in the electronic display market.



Production line for high-function optical film at Okayama plant

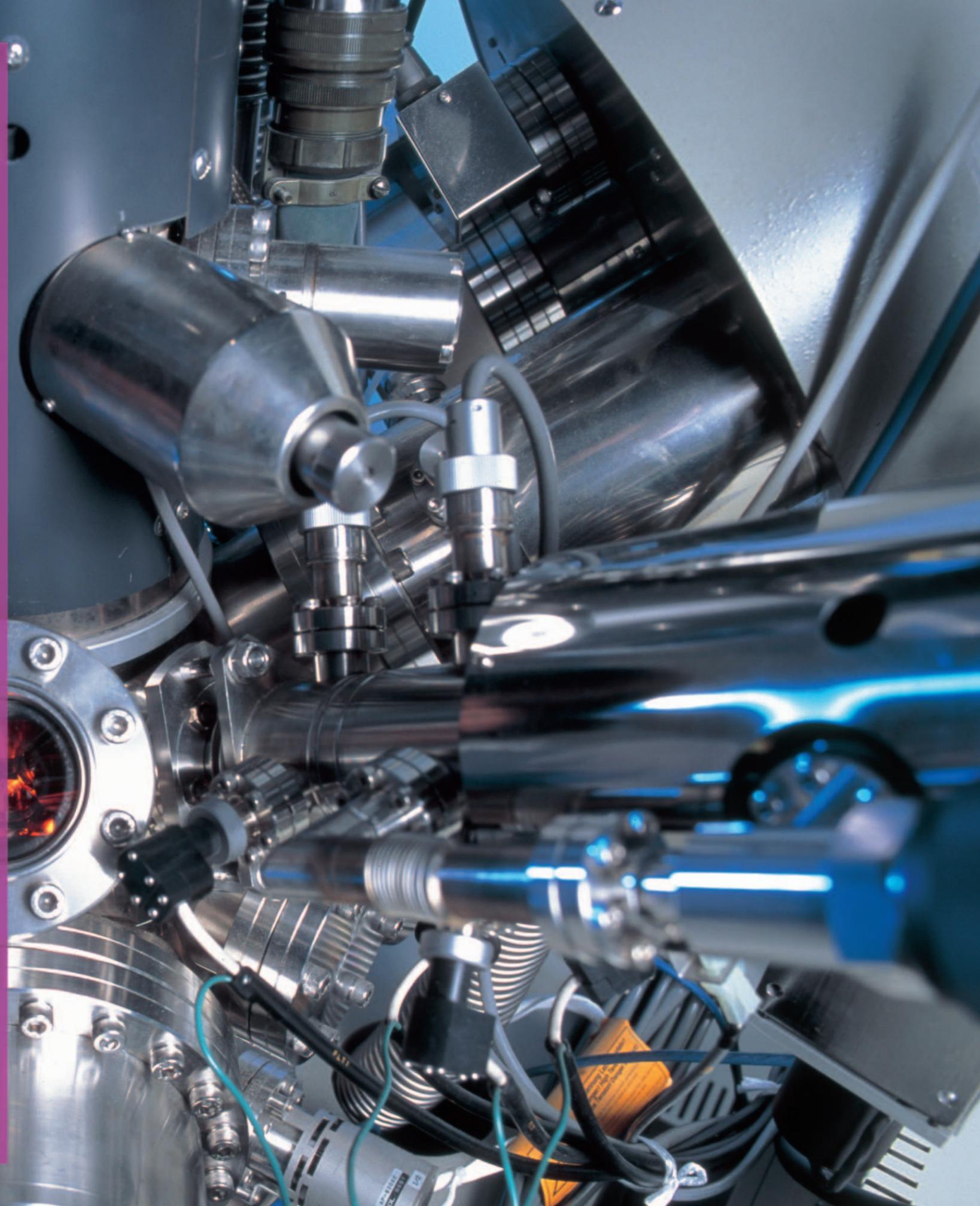
Electronics

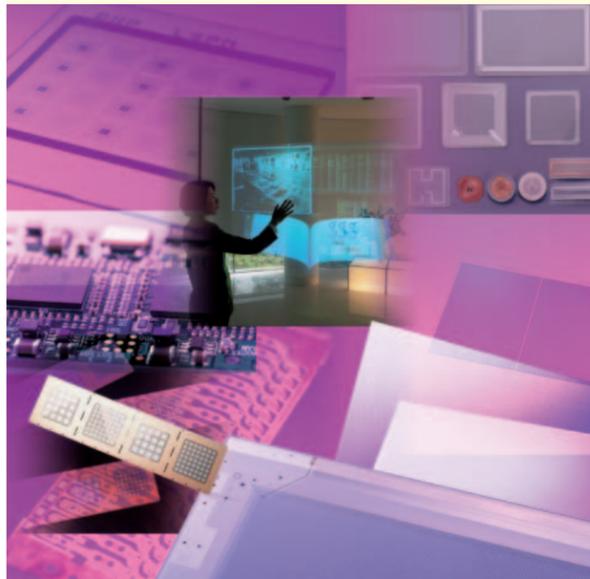
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➤ Profile

Ever since DNP became the first in Japan to succeed at making a prototype shadow mask for use in a color television, the company has been a leader in the development of semiconductor lead frames, photomasks, and other electronic components. By launching one successful product after another, we steadily established a solid position for ourselves in the electronics sector. Becoming the first vendor of a product gives us an edge in the market, and we have continued to hone our technological edge to make it impossible for companies to catch up with us when they enter the market later. Through technological innovations, DNP electronics components hold the key to progress in today's world of information devices.





By continually refining our advanced technology, DNP always stays ahead of the competition. Despite the rapid pace of change in this market, DNP has secured its position as a top vendor. We strive to maintain a good balance between a defensive portfolio that covers a wide range of product areas where demand is likely to grow, and an offensive business strategy entailing technological development and the active use of manufacturing equipment.

Emphasis on Technological Development

Supported by world class advanced technology, DNP electronics products have been acclaimed as No. 1 in the world. In order to make them better than ever, we will put even more weight on research and development, and will search for possibilities in the realms of both quality control and micro-fabrication technology.

Rapid Response to Change

As we expand our business, we will respond to sudden changes in the market and in our customers' needs, keeping in mind every step from material supply to modularization.

Concentrated Allocation of Management Resources

While giving ample consideration to the potential for changes in product life cycles and other business risks, we aim to concentrate our management resources in order to secure a high rate of profitability.

Accelerated Startup of New Businesses

In order to accelerate the development of new ventures, we will always consider possibilities for M&As or other alliances, and develop our businesses efficiently.

Major Policies

Systems for supplying a wide variety of products when they are needed, in synch with product life cycles

As technology progresses, a variety of new types of electronic displays are always appearing in the market, shortening the lifespan of existing products. It is essential to accurately predict which product will take over the next generation and when that change will occur, and to quickly gear up production facilities to be ready for each change. DNP avoids the risks of excessive dependence on a single product. Rather, we maintain a full product lineup so we can respond regardless of what kind of product takes center stage at a given time. We are prepared to participate in the production of any kind of display, from the smallest to the largest.

Meanwhile, our sales strategy is aimed at securing revenues by looking at the global market and engaging in wide-ranging trade with customers all over the world, in order to disperse risk and receive steady orders. We are working as fast as we can to research and develop new technologies and products related to next-generation displays like organic EL, inorganic EL, and FED, in order to develop the world's most advanced technologies and secure our dominant position in the marketplace.

Flexible color filter business model that emphasizes profitability

As liquid crystal panel substrates grow in size with the advent of 5th, 6th, and 7th-generation products, we will need to construct a business model for our color filter production that responds flexibly to our customers' needs and concerns. At the same time that manufacturing is changing, for example with the introduction of byplants that adjoin a customer's manufacturing facility and inplants built right into the customer's production line, business relations with customers are also becoming closer through joint ventures and other types of collaboration. We predict that we will have to form alliances in order to survive as a winner. We will have to choose from a wide range of business formats including M&As, alliances, and royalty businesses and establish business models that emphasize profitability.

Using strong US projection screen sales as a springboard for responding to the MD method

DNP manufactures projection screens in Japan, the United States, and Denmark, and holds a 55% share of the world market. Rear-projection TVs (PTVs) use lenses to project enlarged images. Because this method's benefits are most apparent in large screens of at least 40 inches, PTVs sell best in North America, where more people live in spacious homes. As the market has expanded, the price has come down to under two

dollars per square inch, and the ownership rate is increasing. DNP is focusing on expanding sales in the Korean and Chinese markets, which have started to grow, along with the U.S., where sales are already strong. At the same time, we are responding to the rapid shift toward MD-type PTVs which deliver dramatically better picture quality on a far thinner screen. In addition to boosting MD production capacity, we are engaging in sales activities that make the most of the fact that so far we hold the top market share.

Aiming for greater profitability through cost-cutting in the stable shadow mask market

We expect shadow mask demand to keep declining as PC manufacturers continue their shift toward using LCDs. Nevertheless, we predict that demand for home-use televisions, currently estimated at 160 million units per year, will remain strong. We have already completed the consolidation and reorganization of our production facilities, and will cut costs and take advantage of our overwhelming dominance of the market to secure stable revenues.

Remaining No. 1 in the world in photomasks, thanks to excellent technology

DNP's photomasks have a longstanding reputation for outstanding quality, and we have remained the world's largest supplier. Our selling point is a high degree of technological superiority that no competitor can touch. More than half of DNP's photomask sales consist of cutting-edge products with line widths of under 130nm. In the ultra-advanced class with line widths of 90nm, DNP has captured more than half the market. Going forward, we plan to use the results of joint development with one of our customers and accelerate development of 65nm and 45nm products ahead of our customer's technology roadmap. By being the first to put these products on the market, we intend to lock in our chance to maintain the top share of the world market.

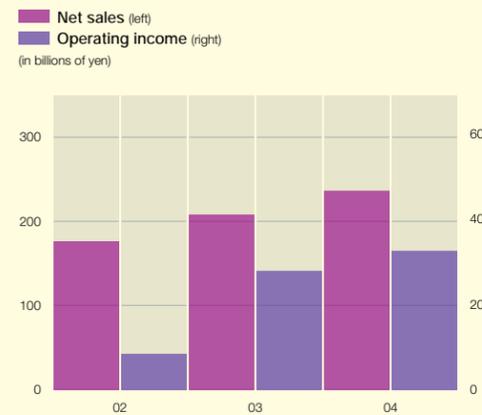
Cultivating new core businesses for our Electronic Device Operations, and building a stronger operational constitution

We will work actively to expand sales not only of photomasks, but of other products that use micro-processing technology, like semiconductor packages, on-chip color filters, and build-up substrates, in order to cultivate new core businesses. In addition, by building up solutions-based business like turnkey deliveries involving circuit design or IC tag businesses connected to the development of application software, we will build a flexible and strong operational constitution that is less vulnerable to the ups and downs of the semiconductor market.

Summary of Results

Financial Highlights

	(in billions of yen, %)		
	2004.3	2003.3	2002.3
Net sales	¥236.4	¥208.3	¥176.9
Operating income	33.0	28.3	8.5
Operating income margin	14.0%	13.6%	4.9%



Business Environment

In 2003, growth in the sales of personal computers slowed due to concerns about the future of the economy and a slowdown in corporate IT investment. However, there was strong demand for liquid crystal panels, to the point that supplies were sometimes tight.

In the semiconductor industry, intensified competition resulted in a major reorganization, complete with spin-offs and mergers.

Demand for semiconductors remained strong, thanks to growth in sales of digital cameras and digital household appliances.

Financial Summary

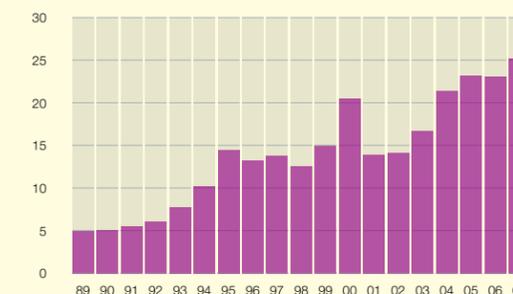
Thanks to a strong LCD demand, color filter sales grew significantly, as did projection screen sales. The segment achieved big gains in both sales and profits: sales grew 13.5% over the previous year to 236.4 billion yen, and operating income increased 16.6% to 33.0 billion yen. The operating income margin rose to 14.0%, a rise of 0.4 point.

DNP greatly increased its group-wide capacity for producing color filters, by purchasing Advanced Colortech, Inc. (ACTI) from its founders, Asahi Glass Co., Ltd. and Mitsubishi Chemical Corporation., and by increasing its investment in South Sintek Photronic Corp. in Taiwan. As a result of these moves, the DNP Group's

capacity almost doubled, from the equivalent of 1.8 million units per year (on a 14-inch basis) to 3.1 million. This term's big increase in sales was also due to an increase of the proportion of orders for high added-value, wide-angle products like IPS and MVA, and to the fact that prices remained stable.

Meanwhile, demand for shadow masks for televisions increased in the second half of the term. But demand aimed at personal computers waned, resulting in a big drop from the previous year. In the projection screen sector, demand was sluggish for the CRT-type that dominated until recently, but in the second half there was increased demand for microdisplays (MDs) for new light sources (LCD and DLP). Overall demand exceeded the previous-year level.

Forecasted Size of the Semiconductor Market (in trillions of yen)



Forecasted Size of the Photomask Market (in billions of yen)



In the photomask market, we received more orders for advanced products with very small line widths like 90nm or 130nm, aimed at domestic research and development. But there was no growth in orders for use in mass production overseas, and sales fell year on year. Sales of lead frames declined in the first half, but the numbers increased in the second half and the decline was small for the year as a whole.

We moved ahead with the development of production technology for mass producing advanced 90nm photomasks, and with the development of photomasks for the next generation of semiconductors, under 65nm.

In October 2003, we started operating our first European production base for photomasks, DNP Photomask Europe S.p.A., which we set up in partnership with STMicroelectronics. We concluded the basic agreement with our partner in May 2002, then built the plant right next door to STMicroelectronics' manufacturing facility in Italy. In addition to serving our partner, this venture will simultaneously supply other European semiconductor makers. We have high hopes that this will help us expand our share of the European market.

The Booming Display Market and Development of Next-generation Products

Color filters for LCDs: Actively boosting production capacity

Amid surging demand for LCD color filters, DNP aims to greatly increase production capacity by building new facilities, expanding existing ones, and forming alliances, in order to give us the world's largest production capacity.

At our Mihara plant in Hiroshima Prefecture, we invested 15 billion yen in new manufacturing facilities for fifth-generation LCD color filters, which were scheduled for completion in the spring of 2004. However, because demand grew even faster than we predicted, we are investing an additional 25 billion yen to add another production line to be completed in autumn 2004.

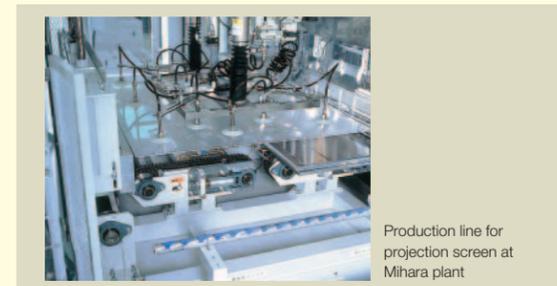
We also increased our investment in South Sintek Photronic Corp., a joint venture that is building a new color filter plant in Tainan, Taiwan, so we can support Korean and Taiwanese LCD panel makers who are rapidly gearing up to produce fifth-generation LCDs. All of our new production lines are slated to come on line by the end of fiscal 2004, which will give the DNP Group total production capacity of 5.7 million filters per month (calculated on a 14-inch basis) and make us the world's number one producer. We will also start mass producing new products including high-function color filters that deliver greatly improved picture quality, so that we can compete in terms of quality as well as quantity.

Screens for projection TVs (PTVs): Greater production capacity; shift to the MD-type

DNP supplies screens for PTVs from three bases: Japan, the U.S., and Europe. We hold roughly 60% of the world market. Since this market is growing at more than 20% per year, we aim to increase our production capacity.

We will add a fresnel lens line at our production base in the U.S., and boost our PTV screen production capacity to 1.5 million per year, bringing our worldwide production capacity to about 4.5 million screens per year. By 2005, we will also add a production line in Japan, so that we can supply a total of 7 million per year.

Meanwhile, demand has increased for high-definition, flat-screen micro-display (MD) projection televisions using a digital optical engine. DNP added a new line at our Mihara plant and established systems to support mass production. The market for MD-type screens is expected to grow to 2.5 million per year in 2005. We plan to keep a close eye on this market and continue to expand production facilities.



Production line for projection screen at Mihara plant

Organic and inorganic EL: Stepping up development in order to create a market

In April 2003, DNP combined dry coating and wet coating technologies to develop a high barrier plastic film for use in flexible organic electroluminescent (EL) and other display substrates. The film made it possible to produce lighter, thinner, more shock-resistant displays. Because the new film can be produced by the low-cost roll-to-roll method, it should also make a big contribution to lowering the retail prices of EL displays.

In May 2003, DNP succeeded in making the world's first prototype of an organic EL panel using photosensitivity technology. Using conventional vapor deposition and ink jet methods limited the number of pixels that could be obtained, so these methods were unsuitable for use with large screens. DNP's photosensitivity method made it possible to produce high-precision substrates larger than one meter square.

In addition, DNP acquired permission to use the patented polymer organic EL technology of Cambridge Display Technology, a UK start-up, in order to speed development of flexible organic EL displays. DNP also concluded a financing agreement with iFire Technology Inc. of Canada, which has succeeded in developing a 34-inch inorganic EL thin panel with manufacturing technology that makes it possible to produce multi-color luminous layers from a mono-color phosphor. The two firms aim to start mass production in 2006.



Inorganic EL Display

Expansion of Electronic Devices

Expanding photomask production into Europe

In October 2003, we started up our first overseas production base for photomasks, near Milan, Italy. The new plant was built by a joint venture between DNP and STMicroelectronics, the world's second largest independent semiconductor supplier. The goal of the venture is to speed up delivery of photomasks to STM's semiconductor plants in France and Italy. For the time being, the new plant will supply STM and the Crolles2 Alliance (a joint R&D venture between STMicroelectronics, Royal Philips Electronics, and Motorola, Inc.), but eventually we hope to supply chip makers all over Europe. With this new plant as our base in Europe, we intend to expand our share of the growing market for cutting-edge photomasks.

Keeping pace with increasing miniaturization

In February 2004, DNP concluded an agreement with ASML MaskTools and Photronics Inc. of the U.S. concerning chromeless phase lithography (CPL) technology that enables further miniaturization of semiconductors. Because CPL technology makes it possible to resolve patterns smaller than the wavelength of the light source used for exposure, it is seen as indispensable to the formation of microscopic patterns on semiconductor gates. Because resolution can be improved with only one exposure, this technology makes it possible to significantly improve production efficiency and lower costs.

Reinforcing design solutions with an eye toward a turnkey business

In August 2003, DNP became the first Japanese organization to conclude a ServiceNet Gold partnership agreement with Artisan Components, Inc., a leading provider of physical intellectual property (IP) components for the design of complex system-on-a-chip integrated circuits. The agreement allows DNP to give LSI design clients direct access to the Artisan IP library. This supports our efforts to build an LSI design solutions business by enhancing a turnkey business that covers everything from semiconductor design to production.

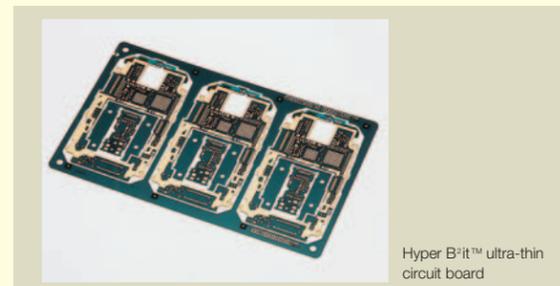
Enhancing our electronic device business by developing next-generation circuit boards

As semiconductors and other electronic devices used in portable devices continue to get tinier and tinier, DNP has developed "Hyper B²it™," a high-density, ultra-thin circuit board. We succeeded in reducing the thickness of the insulating layer from 70μm to 50μm, and decreasing the weight by 18%. We started mass production in July 2004, in time for the take-off in third-generation cellular phone sales.

In July 2003, we released the world's smallest integrated MPEG-4 module for embedded systems, with a built-in interface for SD memory cards.

Then in January 2004, we came out with a module that is compatible with the MPEG-4 module standard for compressing animated images and can be used with network devices. Because this module has a built-in peripheral interface for connecting with the Internet or LAN systems, as well as an interface for storing moving images and sounds on SD memory cards, users can easily put together systems for storing and playing moving images.

DNP will continue to offer a wide range of system modules with a focus on images, authentication, and communication. We aim to make this a new mainstay of our electronic devices business.



Hyper B²it™ ultra-thin circuit board

Sustainable Development

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DNP aims to behave in accordance with the law and social ethics, to contribute to society as a good corporate citizen, and to realize our management philosophy. In order to accomplish these goals, we believe that improving corporate governance must be a management priority.

Our board of directors consists of 35 directors, including one outside director. In addition to making executive decisions on key business issues, the board oversees the execution of each director's duties. In principle, the board meets once a month.

Our board of auditors consists of four auditors, including two outside auditors. Auditing of the head office, operational divisions, and subsidiaries is divided among the four auditors. They cooperate closely among themselves as they execute their duties. Neither the outside director nor the outside auditors have an interest in our company.

In 1992, DNP established the Dai Nippon Printing Group Action Charter as a code of behavior for employees. In June 2002, we revised the charter and renamed it the DNP Group Action Charter. In addition, we have various corporate committees that respond to particular issues so we can be a company that is trusted by society. Among them are the Corporate Ethics Action Committee, Environmental Committee, Product Safety Committee, and the Information Security and Privacy Protection Promotion Committee. We continuously work at establishing social ethics more widely and deeply among group employees. Every year we conduct both live and Intranet training sessions.

In October 2002, in order to enhance DNP's legal compliance, we established our Open Door Room as a place where employees can feel free to air concerns. In May 2003, we strengthened our auditing system by establishing an operational monitoring committee within our head office in order to further improve transparency and fairness in our day-to-day business and management. This involved adding members to our auditing staff and having them communicate closely with our statutory auditors.



Yoshitoshi Kitajima
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



Satoshi Saruwatari
Senior Managing Director



Masayoshi Yamada
Senior Managing Director



Mitsuhiko Hakii
Senior Managing Director



Masakazu Sato
Managing Director



Kuniaki Kamei
Managing Director



Osamu Tsuchida
Managing Director



Noriaki Nakamura
Managing Director



Teruomi Yoshino
Managing Director



Hiromitsu Ikeda
Managing Director



Kosaku Mori
Managing Director



Kenzo Isumi
Managing Director



Yoshinari Kitajima
Managing Director



Toshio Kawada
Managing Director

Hidenori Nokubo
Director

Yujiro Kuroda
Director

Tatsuo Komaki
Director

Tadashi Okubo
Director

Tatsuya Nishimura
Director

Shigeru Kashiwabara
Director

Yoshiyuki Nakagawa
Director

Itsuo Totsuka
Director

Kunikazu Akishige
Director

Yukio Togano
Director

Masahiko Wada
Director

Kenji Noguchi
Director

Junjiro Inoue
Director

Tetsuji Morino
Director

Tadao Tsukada*
Director

Kazumasa Hiroki
Director

Takashi Toida
Director

Jitsuo Okauchi
Standing Statutory Auditor

Minoru Yoneda
Standing Statutory Auditor

Shizen Sasaki*
Standing Statutory Auditor

Yasuchika Negoro*
Statutory Auditor

* Outside director or auditors

Maintaining Product Safety

Product safety is one of DNP's top priorities, along with environmental protection. We created a single product liability management system that is shared by the entire DNP Group, and the whole Group works together to make our products as safe as possible.

1. Basic Policy

Needless to say, our products must meet all relevant legal and regulatory standards. But we fulfill our social responsibility by going beyond that to manufacture products that exceed customers' demand and expectations regarding product safety.

2. Framework

In November 1994, we established a product safety committee in our head office, and in each operational division and group affiliate, as the framework through which we promote product safety.

3. Defining Product Safety

Based on guidelines for product safety measures set forth by the head office's product safety committee, the product safety committee in each division and each group company establishes general standards for product safety assurance, and individual safety standards for each product.

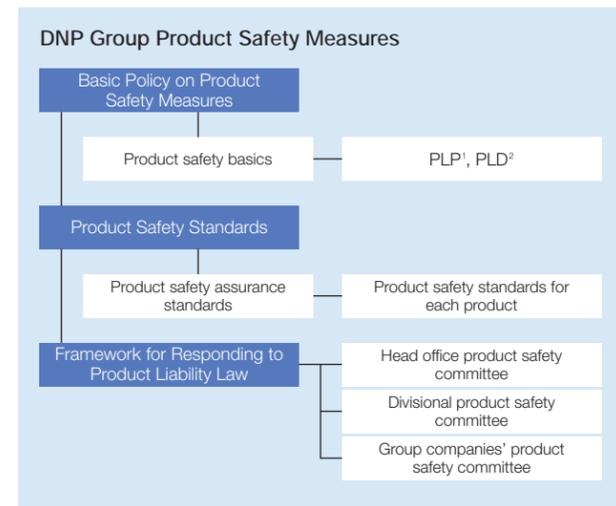
4. PL Management

Managing product liability is not a one-time event, but an ongoing effort. We run a PL risk check whenever we develop a new product or receive a claim. We also do this once a year for all existing products.

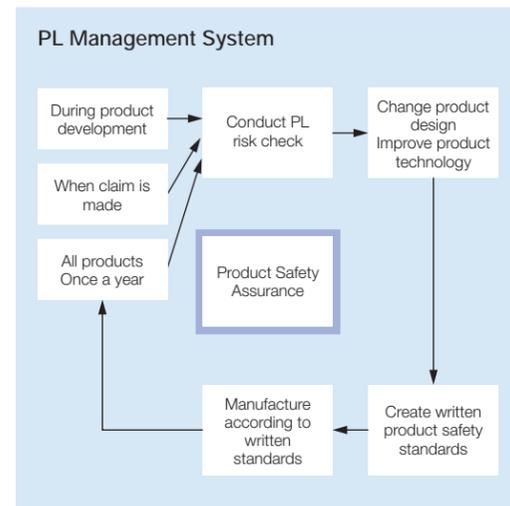
When we suspect that a product design or production technology may lead to instances of defective products, we change the design or improve the technology in order to eliminate the risk, and we document these changes in our product safety standards. We currently have 402 such standards on file, which we put into practice to assure product safety.

5. PL Training

We have been conducting PL seminars since 1994. In 2000, we began using our Intranet system for this training. As of the end of March 2004, 3,660 employees had completed the online seminar.



1 Product Liability Prevention
2 Product Liability Defense



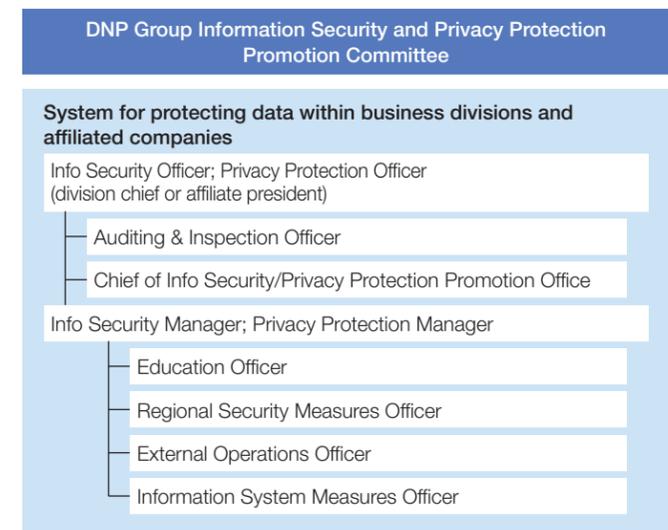
Maintaining Information Security

The DNP Group has a long history of handling and processing important information on behalf of clients and consumers. In the course of offering various services and products, we have increased our own awareness of information security and have cultivated unique expertise in this area.

In addition to providing high quality products and services, we strive to protect the security of the information we handle, and to respond to society's need for privacy protection. We intend to continue offering P&I Solutions that have a basis in rigorous personal data protection and other forms of information security.

Information Management Structure

In April 2002, we established the DNP Group Information Security and Privacy Protection Promotion Committee, and have been developing our information management structure, including those of our subsidiaries, in order to establish information security management systems.



Results of Efforts

Network Learning Employee Education Programs

- May 2000 Privacy Protection Training (Part 1) begins; some 10,000 employees participate
- Feb 2002 Privacy Protection Training (Part 2); some 9,400 employees participate
- Sept 2002 Information Security Training begins, about 17,000 employees participate

E-Business Emergency Response Training (Lectures and Practice)

- Since March 2003 Attended by about 2,000 employees from Business Planning Division

Information Security Training for Technicians

- Feb 2004 Privacy Protection Training; about 20 local pre-press technicians participate

Nationwide Conferences on Information Security

- July 2003 Explanation of Law Concerning the Protection of Personal Information; for relevant staff
- Nov 2003 Conference on Privacy Protection; for relevant staff
- Dec 2003 Conference on introduction of centrally controlled antivirus software; for relevant staff
- Mar 2004 Conference on Privacy Protection; for relevant staff

Actions Aimed at Privacy Protection

- April 1999 Establishment of Privacy Protection Promotion System
- Dec 1999 Establishment of company rules based on JISQ15001, privacy protection standards, and guidelines for the above
- Jan 2000 Sections handling personal data begin establishing CPs and acquiring Privacy Marks

Certifications

Divisions that acquired the Privacy Mark

- Dai Nippon Printing Co., Ltd. Business Form Operations
- Dai Nippon Printing Co., Ltd. IPS Operations
- Dai Nippon Printing Co., Ltd. C&I Operations
- DNP Digitalcom Co., Ltd.
- DNP Logistics Co., Ltd.
- Dai Nippon Uniprocess Co., Ltd.
- DNP Media Create Kansai Co., Ltd.
- Tokai Dai Nippon Printing Co., Ltd.
- DNP Information Systems Co., Ltd.

Divisions acquiring BS7799 and ISMS certification

- DNP Facility Service Co., Ltd.
- DNP Information Systems Co., Ltd.
- DNP Digitalcom Co., Ltd. (ISMS only)

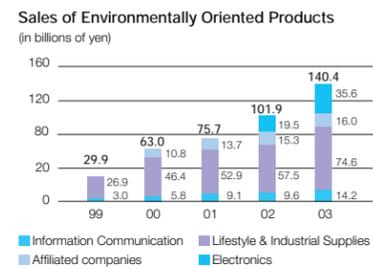
By working to develop products that put the least possible strain on the environment, and by working to generate demand for such products, every DNP employee contributes to making a sustainable, recycling-oriented society a reality. In 1972, the DNP Group became the first Japanese printing company to establish an environment department, and in 1993 we built our unique "Eco-Report System" of environmental management. In 2000, we created the DNP Group Environmental Committee, which has actively addressed issues like promoting sales of eco-friendly products, reducing industrial waste, preventing global warming, and the reduction of harmful substances. As a result of our efforts, we have achieved significant improvements in the form of increased sales of eco-friendly products and higher recycling ratios for industrial waste. In particular, we succeeded in reducing emissions of toluene – a substance that is a big problem in the printing industry and must be reported in Japan's PRTR (Pollutant Release and Transfer Register) – from 10,000 tons in fiscal 1999 to 2,000 tons in fiscal 2003. We intend to continue our proactive promotion of group-wide Production 21 Activities that eliminate all kinds of waste and loss from production processes.

Development and Sales of Eco-friendly Products

DNP has determined guidelines for developing environmentally conscious products, based on one of the principles established by Japan's Green Purchasing Network (revised June 12, 2001), which advises consumers to purchase products and services designed to reduce various environmental impacts over the entire product life cycle. We used these guidelines to develop and sell eco-friendly products, and in fiscal 2003, our sales of such products amounted to 140.4 billion yen, up 37.8% from the previous year and well exceeding our target.

Past Successes and Future Goals Related to Environmental Protection

Based on our environmental policies, DNP has established environment-related goals that are appropriate for our business activities, and we have been steadily improving our environmental performance. Below are the goals that our Environmental Committee adopted in March 2002 for fiscal 2003, along with actual results.



Category	Targets (Year when target is to be achieved) and Fiscal 2003 Results	Category	Targets (Year when target is to be achieved) and Fiscal 2003 Results
Development and Sales of Environmentally Conscious Products	Increase sales of environmentally conscious products by 10% per year (every year) Compared to fiscal 2002: up 38%	Environmental Preservation	Keep the maximum concentration of gases subject to emissions regulations within 70% of legal limit (fiscal 2005) Fiscal 2003 achievement rate (of our own standard): 95%
PRTR	Reduce Group-wide total toluene emissions to 500 tons/year (fiscal 2004) Fiscal 2003 emissions: 2,003 tons (down 76% compared to fiscal 2000)		Keep the maximum concentration of substances subject to wastewater regulations within 70% of legal limit (fiscal 2005) Fiscal 2003 achievement rate (of our own standard): 92%
	Reduce release and transport volumes of chemical substances (other than toluene) designated as Class 1 under the PRTR Law to 50% of fiscal 2000 levels (fiscal 2004) Compared to fiscal 2000: down 42%		At production site boundaries, keep maximum vibration levels within 95% of the legal limit (fiscal 2005) Fiscal 2003 achievement rate (of our own standard): 100%
Prevention of Global Warming	Reduce carbon dioxide emissions ratio (CO ₂ emissions volume divided by production value) by 20% from fiscal 1990 level (fiscal 2010) Compared to fiscal 1990: down 5.6%		At production site boundaries, keep maximum odor levels within 70% of the legal limit (fiscal 2005) Fiscal 2003 achievement rate (of our own standard): 90%
Reduction of Industrial Waste	Reduce industrial waste output ratio (volume of industrial waste / production value) by 40% compared to fiscal 2000 level (fiscal 2005) Compared to fiscal 2000: down 35.3%	Environmental Impact of Offices	Separate and recycle at least 65% of waste paper (every year) Fiscal 2003 separation and recycling ratio: 68.4%
	Achieve zero emissions at 20 sites (fiscal 2005) Achieved at 7 sites	Green Purchasing	Increase the ratio of "green" (per standards set by DNP purchasing headquarters) raw materials costs relative to the total cost of raw materials purchased, by 2.5% year on year (every year) Compared to fiscal 2002: up 5.7%
	Reduce waste generation ratio (total volume of waste / total volume of materials used) by 20% compared to fiscal 2000 level (fiscal 2005) Compared to fiscal 2000: down 16.4%	Reducing Environmental Impact of Transport	Reduce the carbon dioxide emissions rate (CO ₂ emissions volume / cargo volume / distance transported) by 5% from the fiscal 2000 level (fiscal 2010) Compared to fiscal 2000: down 31%
	Compared to fiscal 2002: down 2.0%		Reduce the amount of fuel consumed for transport (amount of fuel consumed / sales) by 20% from the fiscal 2000 level (fiscal 2010) Compared to fiscal 2000: down 6%
	Achieve a recycling rate (amount of waste recycled / amount of waste generated) of 80% (fiscal 2005) Fiscal 2003 recycling rate: 78.8%		

In above calculations, we use the total value of added value as the production value (amount of business activity)

Human Resources Management Policies

Our aim is for each of our employees to feel a sense of responsibility and confidence as an independent professional, and to work at growing and realizing his or her own potential in order to meet challenges proactively and courageously.

The company shall provide environments and mechanisms that support each employee's growth and self-development and cultivate a dynamic corporate culture that allows each employee to use his or her abilities as a professional.

1. Cultivating a Dynamic Corporate Culture [Hiring]

We will provide open and fair opportunities to people who share our corporate vision and want to work together to realize

their potential, and we will select and hire employees in a reasonable and unbiased manner. In addition, we will actively participate in internship programs.

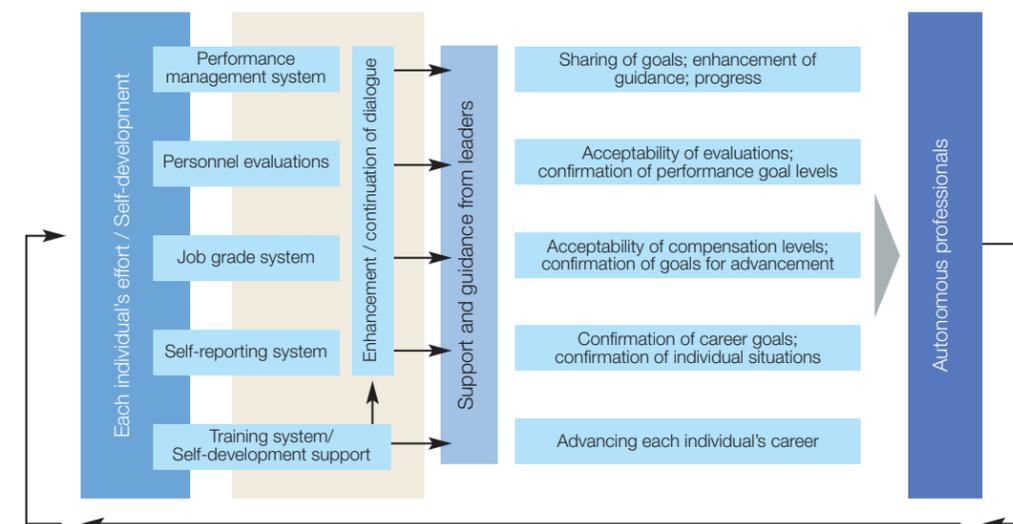
Policy	Details	Track record
Internships (conducted jointly with affiliates)	Students and schools have been expressing a desire for real-world experience, and DNP has responded by offering opportunities for students to gain work experience. This experience does not directly result in employment.	August-September 2003 78 interns accepted to pursue 39 themes

[The Importance of Dialogue]

We believe that in order to contribute to today's changing society, it is important for each employee to grow as an autonomous professional, and to participate in mutual stimulation with other employees. In order to realize this ideal, employees must be able to engage in free and frank dialogue. We support this process by providing spaces and environments in which they can do so.

Even our human resources management systems are structured with an emphasis on dialogue. For example, in order to encourage employees to engage in mutual stimulation through free dialogue, in 2002 we abolished our old, ladder-like corporate officer system.

[Specific Policies]



2. Cultivating Autonomous Professionals

We believe it is important for each employee to engage in self-development, consider his or her own career path, decide what kind of work he or she wants to do, and expand his or her own field of work. In order to support these individual efforts by

employees, we have established personnel systems that allow them to choose the kind of work they want to do, as well as education, evaluation, and compensation systems that promote the acquisition of specialized knowledge and skills.

[Specific Measures – Personnel Systems]

System	Description	Results
In-house recruiting system	Positions requiring specialized knowledge, or positions in new businesses or the development of new products, are advertised within the DNP Group. Any employee with the required ability, experience, and desire to take on challenges is free to apply.	Discovery of talented employees and realization of their potential As of March 2004, a cumulative total of 169 employees were transferred
In-house venture system	We recruit people with entrepreneurial spirit to start independent corporations (funded at least 51% by DNP). This program is coordinated with a company educational program that accepts about 20 trainees per year.	April 2002 CP Design Consulting Co., Ltd. Sept 2003 M's Communicate Co., Ltd.
In-house apprenticeship system	In order to improve skills related to their position, employees may work as an apprentice in a different section for a limited term, and then return to their original job.	Employees' job skills were improved by systematically adopting suggestions born out of in-house apprenticeships
Certification acquisition support program	This program pays incentives to employees who acquire specialized knowledge, skills, or certifications needed for their job. (covers about 80 types of certification, up to 100,000 yen)	Increase in the number of employees who are certified for specialized knowledge or skills related to IT or other aspects of their work
Mastership recognition program	Employees with valuable production skills are designated as "Meisters" and are encouraged to acquire additional specialized skills and cultivate successors by passing on their talents. Meisters receive a certificate of recognition from the president, and are paid a special allowance.	Cumulative total of 41 employees recognized as of March 2004
Special skills recognition program	Employees with advanced specialties, who are especially highly esteemed both inside the company and outside, receive special compensation.	March 2004 10 employees recognized
Job grade / wage systems	A job grade is assigned to each employee based on an evaluation of current role and performance. This grade is linked to monthly salary and bonus calculation criteria, which are no longer determined by seniority.	
Evaluation / compensation systems (Performance management system, etc.)	At fixed times, employees sit down with their supervisors to set future performance targets or evaluate past performance. Employees and supervisors increase mutual understanding through discussion and counseling. Evaluation results are directly reflected in salaries and bonuses.	System expanded in October 2003 to cover almost all employees
Career development advisory office	This office provides counseling and guidance to help employees evaluate their career and devise strategies for meeting future career goals. (established October 2003)	October 2003 – March 2004 74 employees

[Specific Measures – Training Systems to Support Employees Who Aspire Toward Career Advancement]

Employees each design their own career and aim to become independent professionals who take responsibility and have self-confidence in their particular field of work, and who work cooperatively with others inside and outside the company. The company supports employees' career designs by arranging practical and diverse training programs that offer

basic or specialized knowledge required in various fields, such as people skills, conceptual skills, etc.

For managers and supervisors, we provide practical training aimed at improving communication and collaboration skills and increasing understanding of personnel/training systems and career development, so they can help subordinates make the most of their abilities.

3. Free, Frank, and Pleasant Working Environments

1) Creating workplaces that are easy to work in

We believe that in order to contribute to society by realizing a free, frank and dynamic corporate culture, it is important for each employee to respect his or her co-workers and

help create an environment where it is pleasant to work.

Toward this end, we think it is important to that everyone realizes their potential and makes the most of their abilities without worrying about things like gender, age, or disabilities.

[Specific Measures – Improving the Workplace Environment]

System	Description	Results
Hiring physically challenged people	We achieved the legally mandated employment rate, based on the premise that physically challenged people should be able to function normally in society. When necessary, we educate workplace leaders about workers' special needs.	Fiscal 2003 Employment rate 1.82%
Senior hiring	Employees who want to continue their workplace activity as experienced professionals after reaching mandatory retirement age may consult with the company and work as "senior staff."	Fiscal 2003 44% of eligible employees chose to work as senior staff
Child care; nursing care support systems	We provide more than the legally required support, and are considering enhancing support services even further.	Fiscal 2003 42 employees used this system

2) Creating safe and pleasant workplaces

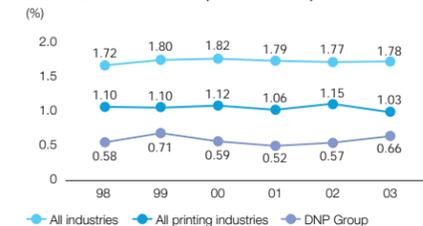
In order to create safe and pleasant workplaces for all of our employees, we conduct our own safety and hygiene activities. Our basic policy is to support the maintenance of comfortable

and pleasant workplaces and living environments that include families. Accordingly, we have created a system of safety and hygiene activities for all employees to participate in, and we promote this as an important measure.

[Specific Measures]

Measure	Description	Results
Framework	Management and employees together established a Central Safety and Hygiene Committee within the head office. Each operational division and group company has a similar system for discussing and promoting safety and hygiene-related activities. We have also created company-wide standards and guidelines related to these topics.	We determined DNP's annual safety and hygiene action policy. Divisions and group companies determined their own plans for each workplace, based on the head office's policy and taking into account the special characteristics of each workplace. <Major standards and guidelines> 1) Workplace environment improvement • Workplace environment standards • Guidelines for preventing noise in the workplace • Guidelines for handling tobacco smokers 2) Preventing work-related accidents • Guidelines for preventing industrial accidents caused by machinery, etc.
Upgrading skills	The safety and hygiene committees play the leading role in promoting activities tailored to each workplace, in addition to promoting the enhancement of skills that employees need in order to make the committees function effectively.	• Promote certification of hygiene managers, work supervisors, chemical substance managers, etc. • Increase the number of psychological counselors as of March 2003: 37 • Increase the number of training seminars and employees receiving special training for restricted work operations Jan - Dec 2003: 168 people received training • Safety and hygiene management training for line managers; new employee education Jan - Dec 2003: 729 people received training
Accident prevention activities	We analyze potential hazards and take steps to prevent accidents involving revolving machinery, which is a major cause of industrial accidents. Concerning non-stationary and other high-risk operations, we review our operating standards, practice safe operating procedures, and strive to ensure that mishaps are never repeated.	Industrial accident rate is low relative to industries in general, and even relative to the entire printing industry. Jan - Dec 2003: Industrial accident rate: the number of employees who missed work due to work-related accident divided by total number of hours worked (in units of 1 million hours): 0.66%

Industrial Accident Rate (Absence Rate)



3) Secure working environments

(Disaster Prevention Framework)

DNP has created an earthquake response outline and a central disaster prevention basic plan, with the aim of securing employees' safety, restoring workplaces, and supporting families and local residents in the event of a destructive earthquake. Based on these policies, we have promoted earthquake preparedness measures through disaster prevention councils set up in central and outlying divisions and affiliates. In the event of an earthquake, these councils will automatically begin functioning as response headquarters. Specific disaster

prevention measures or earthquake response measures are to be taken by six action teams, with each responsible for human rescue, care of buildings, asset protection, business operations, PR, or community aid.

Also, thanks to the enhancement of our emergency telecommunications network (emergency wireless links at 29 offices in the Kanto district, and satellite telephone connections at 42 locations nationwide), we should be able to give quick help not only to the affected workplace, but also to surrounding residents and businesses.

Printing is based on reproduction technology, which DNP views as a new kind of creative technology that can contribute to the development of art and culture. That's why DNP's unique brand of corporate philanthropy centers on supporting graphic arts.

ggg Ginza Graphic Gallery (ggg)
Opened in 1986

ggg exhibits creative works by individuals and groups, from Japan and abroad, with a focus on the themes of graphic design and printing. The gallery also holds lectures and presentations by artists. Ten years after the gallery's founding, in 1996, it was recognized with a Mainichi Design Awards Special Prize.



That same year, ggg celebrated its 10th anniversary with a special exhibit on the history of Japanese graphic arts. The exhibit was very well received, and earned the gallery the Mecenat Award for Outstanding Popularization of the Arts.

As of July 2004, the gallery had held 218 exhibits, which were visited by 651,294 people.

In fiscal 2003, it held 12 exhibits that drew 40,801 visitors.

Location: 7-7-2 Ginza, Chuo Ward, Tokyo, Japan 104-0061
Telephone: 03-3571-5206
Open 11:00 - 19:00 (till 18:00 on Saturdays); closed Sundays and holidays
Admission free of charge

CCC The Center for Contemporary Graphic Art
Opened in 1995

The Center for Contemporary Graphic Art is the home of the Tyler Graphics Archive Collection, produced at the renowned U.S. contemporary block print studio, Tyler Graphics Ltd. In addition to holding regular showings of its permanent collection, the Center also introduces a wide variety of modern art. As of June 2004, it had hosted 32 special exhibits and received 48,201 visitors.



In fiscal 2003, it held four special exhibits, drawing 4,002 attendees.

Location: 1 Miyata, Shiota, Sukagawa-shi, Fukushima, Japan 962-0711
Telephone: 0248-79-4811
Open 10:00 to 17:00 (Admission until 16:45); closed Mondays and the day after public holidays
Admission: ¥300; ¥200 for students; free for children 12 and under, seniors over 65, and handicapped-certificate holders

The Ginza School; since 1995

This is an event that DNP organizes four or five times each year, based on the theme "Let's Enjoy Thinking about Communication." Participants explore the joys and pitfalls of communication along with guest speakers. The event has been held 42 times, with a total of 3,021 people attending.



Mainichi Publishing Culture Awards: Kitajima Award

The Mainichi Newspapers Co. established the Mainichi Publishing Culture Award in 1947. Ever since it has been awarded each year to outstanding figures in writing or publishing. As a printing company, DNP has strong ties to the publishing industry, and in 1997, we established the Kitajima Award as a special business partner to Mainichi.

In 2003, the award was given for five Japanese works, including "Hayashi Emiko's Showa" by Kawamoto Saburo, and "Baka no Kabe/Wall of Idiots," by Yoro Takeshi.



ddd Gallery
Opened in 1991

One of very few galleries in the Kansai district that are devoted to graphic design, ddd Gallery hosts exhibits and lectures. Exhibits focus on spirited graphic designers from overseas. As of September 2004, the gallery had held 131 exhibits, attended by 182,730 visitors.



In fiscal 2003, it held 11 exhibits, which were viewed by 17,659 people.

Location: 2-2-28 Dojimahama, Kita Ward, Osaka, Japan 530-8208
Telephone: 06-6347-8780
Open 10:00 - 18:00; closed Saturdays, Sundays and holidays
Admission free of charge

Financial Section

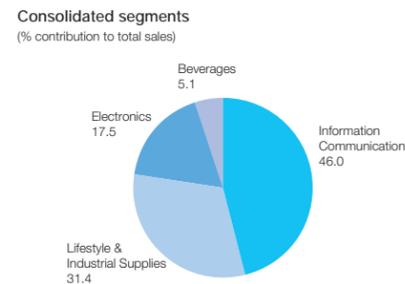
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INTRODUCTION

Dai Nippon Printing Co., Ltd. (DNP) is built around a core of printing and information technologies. We offer a variety of products and services to customers in a wide range of industries in and outside of Japan, in the fields of information communication, lifestyle and industrial supplies, electronics, and beverages. Not only does DNP lead the world as its largest printing company, we have also established ourselves as No. 1 in the world in various other fields, including areas of electronics and security that make use of printing technologies.

Our most important areas of business are printing, which consists of three main segments, and beverages.



[Printing]

Information Communication:

In addition to printing on paper, this segment offers a variety of tools such as digital media, content production, and combinations of these services. Regardless of what medium is chosen, DNP offers its clients optimal solutions that allow them to deliver information to their customers by the most effective and efficient means.

Lifestyle and Industrial Supplies:

In this segment, we use DNP's outstanding capacity for technological development to provide environmentally friendly packaging and decorative materials, and a variety of industrial supplies. This is yet another field where DNP has won acclaim for helping to make people's lifestyles more comfortable, convenient, and safe. We have developed products with sophisticated functionality, such as printer ribbons and optical films for liquid crystal displays. For many of these products, we hold the largest market share in the world.

Electronics:

In this segment, DNP applies the world's most sophisticated micro-fabrication technology in order to supply a large number of electronic products, including the photomasks that are key components in the manufacture of semiconductors, and color filters, which are major components of liquid crystal displays (LCDs).

[Beverages]

DNP has a subsidiary, Hokkaido Coca-Cola Bottling Co., Ltd., that operates a beverages business.

OPERATING RESULTS

Business Environment

The environment surrounding the printing industry remained harsh this fiscal year, due to such factors as sluggish demand for printing, higher materials costs, and lower unit sale prices as a result of intensified competition.

This fiscal year, which ended in March 2004, was a bad year for the publishing industry, which shrank for the seventh year in a row. Sales (in monetary terms) of both books and magazines fell below previous-year levels. On the other hand, overall Japanese advertising outlays began to increase as of October, and the commercial printing sector enjoyed solid demand for printing of promotional items like newspaper inserts and catalogs.

In the Lifestyle & Industrial Supplies segment, sales of packaging — consisting mostly of food packaging — were disappointing amid sluggish personal consumption. However, demand for high-function optical film and other industrial supplies rose sharply.

In the Electronics segment, the display and semiconductor industries did well thanks to strong sales of equipment like personal computers and mobile phones. In particular, sales of LCD-related products continued to increase sharply.

Overview

The DNP has set about expanding a solutions-based business that combines printing technology (P) with the information technology (I) that we began accumulating in the late 1970s. This concept is based on the Vision for the 21st Century that DNP drew up in 2001, and we express it in the phrase "P&I Solutions DNP."

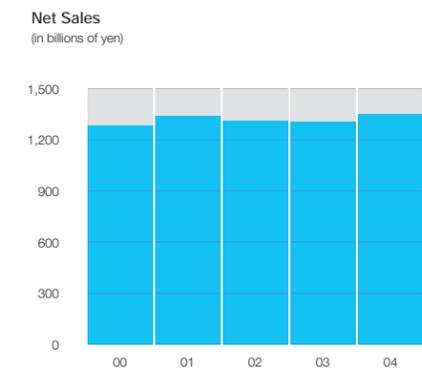
Despite the harsh business environment surrounding the printing industry this fiscal year, we managed to increase revenues and profits. DNP posted record high consolidated net sales of 1,354.1 billion yen (up 3.4% from a year earlier), operating income of 102.4 billion yen (up 14.0% year on year), and net profit of 52.9 billion yen (up 84.1%).

	March 2004	March 2003	March 2002
Gross profit margin	20.8%	20.3%	18.4%
Operating income margin	7.6	6.9	5.5
Ordinary income margin	7.2	6.7	5.7
Net income margin	3.9	2.2	1.2
Net income per share			
– Primary	¥ 71.49	¥ 37.80	¥ 20.55
– Fully diluted	—	37.67	20.53

(% , Yen)

Net Sales

This fiscal year, DNP's net sales increased by 45.1 billion yen, or 3.4%, over the previous fiscal year to a record high of 1,354.1 billion yen. This was because of increases in sales by three segments: Information Communication, Lifestyle & Industrial Supplies, and Electronics. In the latter segment, sales grew sharply, by 13.5%.



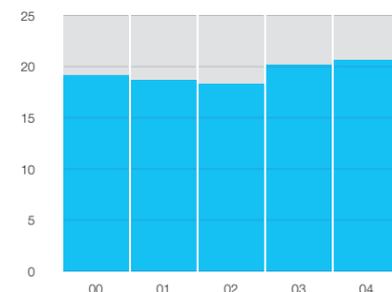
Cost of Sales

Our cost of sales this fiscal year was 1,073.1 billion yen. Although this was 29.7 billion yen, or 2.8%, more than the previous year, our cost-to-sales ratio improved by 0.5 point, from 79.7% to 79.2%. Among the environmental factors that worked against us this term was the continued strong impact of lower unit prices resulting from general deflation, while at the same time material costs increased.

We met these challenges by working hard at cutting costs and securing income in line with the "Action of Production 21st" campaign that we launched in April 2002. This fiscal year, we succeeded in shaving 19.1 billion yen off of our manufacturing costs. We accomplished this mostly through the horizontal (Group-wide) adoption of cost-cutting

measures that had already produced concrete results in areas where they had been tried, resulting in improved yields, shortened lead times, and further reductions in inventories of finished products and works in progress.

Gross Profit Margin (%)

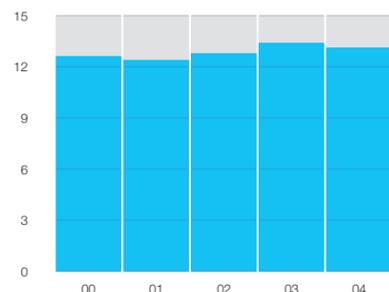


Selling, General and Administrative Expenses

Selling, general and administrative expenses this fiscal year were 178.5 billion yen, an increase of 2.9 billion yen or 1.6% over the previous fiscal year. However, the percentage relative to net sales declined from 13.4% to 13.2%. Of course, this improvement was the result of successful cost-cutting measures.

In indirect divisions, we trimmed 3.4 billion yen off of expenses by using IT to boost operational efficiency and by implementing thorough cost management.

Selling, General and Administrative Expenses to Net Sales (%)



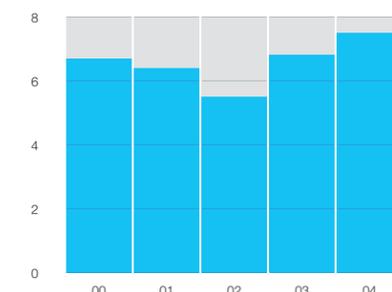
Operating Income

DNP's operating income this fiscal year was affected by declines in unit prices and increases in the cost of film and other raw materials. But thanks to the success of our cost-cutting measures and increased net sales, we still achieved a big increase in profit. Our operating income grew by 12.6 billion yen, or 14.0%, to 102.4 billion yen.

By segment, operating income from Information Communication increased by 3.6 billion yen to 43.7 billion; from Lifestyle and Industrial Supplies it increased by 3.8 billion yen to 32.4 billion, and from the Electronics segment it grew by 4.7 billion yen to 33.0 billion. In the beverages segment, there was an operating loss that increased by 206 million yen, resulting in a loss of 372 million yen.

DNP's operating income margin increased significantly, from 6.9% last term, to 7.6%.

Operating Income Margin (%)



Other Income (Expenses)

This term, the balance of non-operating income and expenses resulted in a net expense of 9.3 billion yen. This represents a big decline of 38.3 billion yen compared to the previous year's net non-operating expense.

The main reason for the decrease in non-operating expenses was that in the previous term we posted 30.3 billion yen in losses from the devaluation of investment securities in connection with accounting for impairment losses, but this term that amount decreased to 1.4 billion yen because share prices were relatively firm.

Also, on Jan. 30, 2003, Hokkaido Coca-Cola Bottling Co., Ltd. was granted an exemption from its obligation to make future payments related to the substitution portion of its employee pension fund. Dai Nippon Printing Co., Ltd. received the same type of exemption on June 1, 2003. DNP posted 6.1 billion yen in extraordinary income in connection with these exemptions. Because of this, the 6.0 billion yen per year that DNP had been amortizing as an extraordinary loss from the transitional obligation that we incurred with our introduction of retirement benefit accounting decreased by 2.1 billion to 3.9 billion yen. This was another major reason for the decline in the non-operating expense.

Meanwhile, we posted a loss of 3.0 billion yen for the disposal of underperforming businesses, mainly due to the withdrawal of Dai Nippon Printing Co. (Hong Kong) Ltd. from the Hong Kong market.

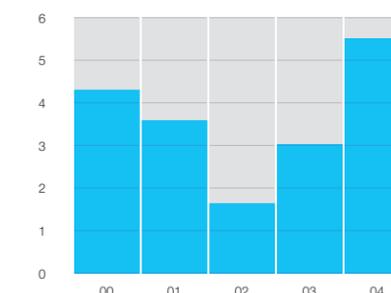
As a result of the above, net income before income taxes this term was 93.1 billion yen, representing a huge increase of 120.5% over the previous term

Net Income

DNP's net income for fiscal 2003 increased by 84.1% over the previous year to 53.0 billion yen. Return on equity rose to 5.5%, from 3.0%.

In addition, net income per share rose sharply, from 37.80 yen in the previous fiscal year, to 71.49 yen.

ROE (%)



Capital Expenditures, Research & Development Expenditures, Etc.

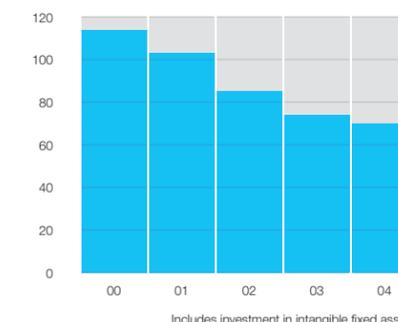
We continued the previous year's policy of active capital investment in strategic fields. In other areas, we made effective use of existing facilities our top priority and focused on investing in rationalization. We reduced capital expenditures from 73.7 billion yen to 69.8 billion. By encouraging the reduction of depreciation expenses through these policies, depreciation expenses this term amounted to 85.1 billion yen, or 4.1 billion less than the previous year's figure of 89.2 billion yen.

We continued a wide range of R&D activities, from creating new businesses and developing new products to developing production technologies. R&D expenditures were 26.0 billion yen, or 2.0 billion more than the previous year's 24.0 billion yen.

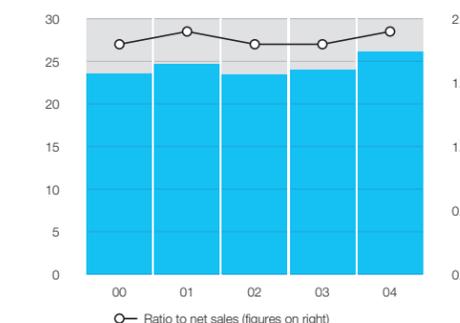
We did not actively reduce our labor force through measures like early retirement inducements, but we did trim it by restricting new hiring and allowing natural attrition from

mandatory retirements, etc. At the end of the fiscal term, our labor force consisted of 34,514 employees, a decrease of 668 compared to a year earlier, resulting in a saving of 3.1 billion yen.

Capital Expenditures (in billions of yen)



R&D Expenditures (in billions of yen, %)



LIQUIDITY AND CAPITAL RESOURCES

We believe that the steady expansion of cash flow generated through vigorous operating activities, along with concentrated investment in strategic areas, are important for the expansion of our business. In addition, we believe that a sound financial constitution is indispensable to stable growth in the medium and long terms, so we have worked hard to enhance our company's financial position.

Cash Flow

Free cash flow is cash flow that DNP can actively invest in fields with the potential to move the company far forward. It is also a source of corporate value. This fiscal year, DNP managed to generate free cash flow of 66.7 billion yen.

	March 2004	March 2003	March 2002
Cash flow from operating activities	¥ 161,487	¥ 197,413	¥ 133,830
Cash flow from investing activities	(94,740)	(87,392)	(79,563)
Free cash flow	66,747	110,021	54,267

(in millions of yen)

This fiscal year, cash flow from operating activities decreased by 18.2% from the previous fiscal year, to 161.5 billion yen. Underlying factors included the posting of 93.1 billion yen in income before income taxes, 85.2 billion yen in depreciation expenses, and an increase of 12.2 billion yen in trade payables despite an increase of 17.5 billion yen in trade receivables and payment of 39.2 billion yen in income tax.

Cash flow used in investing activities increased by 8.4% from a year earlier, to 94.7 billion yen. The main factors behind this change included expenditures of 66.7 billion yen to acquire fixed assets and 18.7 billion yen to acquire investment securities, despite 11.6 billion yen in income from sale of investment securities.

Meanwhile, cash flow used in financing activities declined by 61.0% from a year earlier, to 24.2 billion yen. This term, we obtained 49.7 billion yen by issuing straight corporate bonds, mainly for capital spending in fields like electronics. However, we also used 29.7 billion yen to redeem convertible bonds, 24.6 billion yen to buy back DNP shares, and 14.5 billion yen for dividend payments.

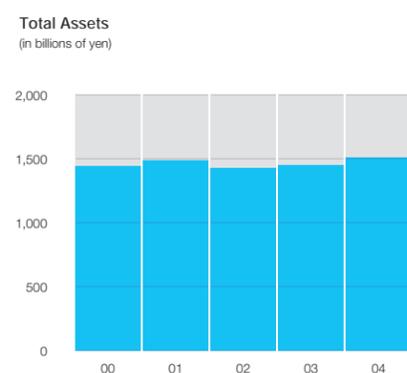
Because of these activities, DNP's cash and cash equivalents at the end of the fiscal year increased by 16.9% or 40.4 billion yen over the previous year, to 279.4 billion yen.

The Balance Sheet

At DNP, we always try to optimize our capital composition to suit the business environment, and to minimize our cost of capital so that we can increase DNP's corporate value.

	March 2004	March 2003	March 2002
Total assets (in millions of yen)	¥ 1,513,734	¥ 1,450,027	¥ 1,432,458
Current ratio (%)	197%	171%	181%
Working capital-to-net sales (%)	28	23	24
Debt/equity ratio (%)	7	6	7
Book value per share (in yen)	¥ 1,348.40	¥ 1,270.81	¥ 1,246.99

(in millions of yen, %, yen)



DNP's total assets at the end of this fiscal year amounted to 1,513.7 billion yen, up 4.4%.

Among current assets, cash and cash equivalents increased by 16.9% or 40.5 billion yen over the previous fiscal year to 279.4 billion yen. Trade receivables increased by 4.3% or 16.5 billion yen to 400.1 billion yen. Inventories decreased by 6.3% to 70.0 billion yen. As a result, total current assets increased by 7.9% over the previous year to 771.9 billion yen.

In investments and advances, investment securities holdings increased 55.4% or 51.6 billion yen from the previous term to 144.6 billion yen.

On the other hand, property, plant and equipment decreased by 5.1% or 27.7 billion yen from the previous term to 513.2 billion yen. One reason for this decline was that this term there was nothing in particular to cause an increase. Also, machinery and equipment shrank by 3.2 billion yen and construction in progress fell by 1.8 billion yen, while we posted large depreciation expenses.

Other assets decreased by 18.8% or 16.5 billion yen to 70.9 billion yen. This was mainly because deferred tax assets declined by 47.1% or 22.6 billion yen to 25.4 billion yen. The result was that overall fixed assets increased by 1.0%, or 7.3 billion yen, over the previous term to 741.8 billion yen.

On the liabilities side, total current liabilities as of the end of this term were down by 6.2% or 26.1 billion yen from a year earlier, to 391.7 billion yen. Major changes in current liabilities included an increase in trade payables of 3.9% or 10.4 billion yen over the previous fiscal year to 278.3 billion yen due to the increase in net sales, while at the same time there was a decrease of 29.7 billion yen thanks to the redemption of convertible bonds due within one year.

Long-term liabilities increased by 78.5% or 52.5 billion yen compared to the end of the previous year, to 119.3 billion yen, due to the issue of 50 billion yen worth of corporate bonds.

In all, total liabilities increased by 5.4%, or 26.4 billion yen, to 511.0 billion yen.

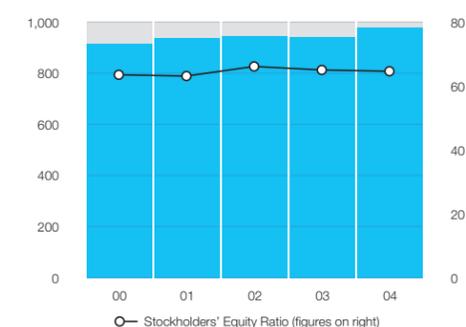
This fiscal year, DNP continued repurchasing shares, as we did last year. As a result, treasury stocks increased from 21.8 billion yen at the end of last fiscal year to 46.4 billion yen at the end of this term. This was a factor that decreased stockholders' equity. On the other hand, stockholders' equity was increased by these factors: 1) since net income amounted to 53.0 billion yen, retained earnings grew by 38.3 billion yen to 743.4 billion yen, and 2) unrealized gain on available-for-sale securities increased by 24.7 billion yen, thanks to this term's solid domestic share prices.

Repurchasing of DNP's own shares was conducted in line with the decision at the June 2003 general shareholders' meeting to repurchase up to 30 million shares, at a cost of up to 40 billion yen, in order to return profits to shareholders. Between November 2003 and February 2004, DNP spent a total of 24.4 billion yen to repurchase 15,392,000 shares, which are being held as treasury stocks. Combined with the 17 million shares purchased in the previous term, this amounts to 32,392,000 shares, or 4.3% of outstanding shares.

As a result of the above factors, our total stockholders' equity as of the end of this fiscal year increased by 3.9% or 36.7 billion yen to 978.7 billion yen.

Also, as mentioned above, on Sept. 25, 2003 we issued a total of 50 billion yen worth of 10-year, unsecured corporate bonds at 1.67%. These bonds received a rating of AA+ from Rating and Investment Information, Inc.

Total Stockholders' Equity and Stockholders' Equity Ratio (in billions of yen, %)



RISK MANAGEMENT

The performance and the results of DNP could be significantly affected by a variety of factors and circumstances that might arise in the future. Because DNP is aware of these risk factors, our policy is to strive to minimize their potential effects.

As of the time that we issue this annual report, the following are the major factors that DNP management views as risks.

The Japanese economy and consumption trends

The DNP engages in a wide range of businesses with an extremely large number of customers. We conduct our business so as not to be overly dependent on specific customers. The primary market where we do business is centered on the Japanese domestic market, whereas our overseas sales constitute about 15% of net sales. Therefore, if individual consumption and other aspects of domestic demand should slow down due to fluctuations in the Japanese economy, our corporate performance could be affected by decreased orders, lower unit sale prices, or other effects of such a downturn.

Changes in the electronics market

We expect our electronics segment to be highly profitable and we believe it has good growth potential. We position it as a strategic sector which we aim to expand in the future. We intend to secure steady profits from it by focusing on building business strategies based on a careful compilation of information and the development of highly competitive, high-added-value products. However, the market for displays and semiconductor-related products is subject to sudden changes. It is possible that DNP's performance could be affected by sudden changes affecting products that we handle, such as dramatic fluctuations in demand or a plunge in unit prices.

Fluctuations in raw material procurement

We procure raw materials such as printing paper and film from multiple suppliers in Japan and overseas. We work hard to secure stable supplies and maintain optimal prices. However, there is some potential for temporary imbalances between supply and demand due to factors like spikes in petroleum prices or sudden surges in demand from the Chinese market. We intend to cope with such instances by negotiating with our customers. However, if it should become extremely difficult to secure supplies, or if prices rise markedly, it is possible that our corporate performance could be affected.

Development of new products and technologies

The DNP adapts printing technologies in order to develop new products and technologies that meet the needs of our customers and the market. We provide products and services to a wide range of industrial sectors. In recent years, the pace of technological innovation has become faster than ever, and customers' needs have been rapidly diversifying. We believe that in the future, competition in the area of product development will become more intense than ever before, and it is possible that our performance could fluctuate significantly due to unforeseeable changes in market trends or the shortening of product life cycles.

Currency fluctuations

Particularly in such fields as electronics, we are expanding our dealings in products and services with customers, suppliers, and others overseas. Because we expect the effects of currency rates to gradually become more important, we use such means as foreign exchange forward contracts to hedge the risks of market fluctuations. Nevertheless, it is possible that radical swings in currency values could have a more serious effect on our corporate performance.

Legal regulations, etc.

We conduct our business based on strict compliance with the law. Wherever we operate, in Japan or overseas, we are subject to a wide variety of legal regulations and restrictions, including laws related to product liability, environmental protection and recycling, anti-monopoly prohibitions, patents, taxes, imports and exports, etc. We can imagine that in the future such regulations could become even more restrictive. If that should occur, it is possible that the DNP's business performance could be affected by limitations on our business activities or increased costs.

Information system security

Now that the Internet and other computer networks and information systems are playing an increasingly large role in business, the construction of information systems and security measures that protect them have become indispensable to the continuation of business activities. In recent years, DNP has become increasingly vulnerable to computer-related risks, such as the possibility that information systems could be shut down by software or hardware trouble, computer viruses, etc., or that customer information could be leaked outside the company. DNP takes every possible measure to maintain and control computer systems and data through increasingly sophisticated security and employee education. However, in the unlikely event that an accident should occur, it is possible that our business activities could be affected.

Disaster

We take steps to protect our production equipment and other major facilities from being damaged by disasters like fire or earthquake. In addition, we divide our work among multiple production bases and make every effort to prevent disaster from causing production stoppages or disturbances in our ability to supply products. However, it is possible that our business performance could be seriously affected in the event of unforeseeable situations, such as production stoppage or massive damage to or destruction of our corporate infrastructure resulting from an event such as a huge earthquake or terrorist attack.

SELECTED FINANCIAL DATA (unaudited)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Income Statement Data (¥ million)										
Net Sales	¥ 1,354,101	¥ 1,309,002	¥ 1,311,934	¥ 1,342,035	¥ 1,286,703	¥ 1,269,543	¥ 1,336,604	¥ 1,310,100	¥ 1,245,300	¥ 1,192,827
Cost of sales	1,073,118	1,043,456	1,071,163	1,091,386	1,039,006	1,033,926	1,056,962	1,028,614	983,301	945,570
Gross profit	280,983	265,546	240,771	250,649	247,697	235,617	279,642	281,486	261,999	247,257
Selling and administrative expenses	178,545	175,665	168,529	164,708	161,811	166,008	172,824	170,298	161,609	156,536
Operating income	102,438	89,881	72,242	85,941	85,886	69,609	106,818	111,188	100,390	90,721
Income before income taxes and minority interests	93,137	42,244	26,150	69,116	79,199	77,703	100,634	107,394	98,103	101,542
Net income	52,971	28,774	15,609	33,409	39,034	30,493	56,539	56,165	52,974	49,200
Balance Sheet Data (¥ million)										
Total assets	¥ 1,513,734	¥ 1,450,027	¥ 1,432,458	¥ 1,489,871	¥ 1,451,700	¥ 1,445,293	¥ 1,450,709	¥ 1,410,138	¥ 1,336,689	¥ 1,274,581
Property, plant and equipment-net	513,175	540,874	543,962	561,017	561,898	570,860	536,364	501,622	461,158	434,809
Long-term liabilities	119,277	66,821	79,013	86,012	77,637	100,695	100,214	97,340	106,792	113,295
Total liabilities	510,970	484,581	460,691	522,105	495,541	518,323	538,113	553,172	532,451	514,117
Total stockholders' equity	978,736	942,083	946,998	939,441	925,646	898,646	885,507	831,262	780,484	738,243
Other Selected Data (¥ million)										
Capital expenditures	¥ 69,834	¥ 73,789	¥ 85,096	¥ 103,050	¥ 113,858	¥ 119,372	¥ 111,341	¥ 113,656	¥ 93,654	n.a.
Depreciation expenses	85,182	89,239	94,870	94,312	94,588	82,800	73,908	67,583	62,424	n.a.
R&D expenditures	26,050	24,097	23,367	24,664	23,571	n.a.	n.a.	n.a.	n.a.	n.a.
Common Share Data (¥, shares)										
Net income per share - fully diluted	¥ 71.49	¥ 37.80	¥ 20.55	¥ 43.99	¥ 51.40	¥ 40.15	¥ 74.49	¥ 74.52	¥ 70.63	¥ 65.63
Net income per share - primary	-	37.67	20.53	43.45	50.47	39.54	72.53	72.15	68.19	n.a.
Dividends paid per share	21.00	19.00	18.00	18.00	18.00	18.00	18.00	17.00	16.00	15.00
Net assets per share	1,348.40	1,270.81	1,246.99	1,236.96	1,218.79	1,183.24	1,165.94	1,102.56	1,040.49	984.61
No. of common shares outstanding - primary	759,480,693	759,480,693	759,480,693	759,480,693	759,480,693	759,480,693	759,480,693	753,940,533	750,110,275	749,779,633
Financial Ratios (%)										
As a percent of net sales:										
Gross profit	20.75%	20.29%	18.35%	18.68%	19.25%	18.56%	20.92%	21.49%	21.04%	20.73%
Selling, general and administrative expenses	13.19	13.42	12.85	12.27	12.58	13.08	12.93	13.00	12.98	13.12
Operating income	7.57	6.87	5.51	6.40	6.67	5.48	7.99	8.49	8.06	7.61
Income before income taxes and minority interests	6.88	3.23	1.99	5.15	6.16	6.12	7.53	8.20	7.88	8.51
Net income	3.91	2.20	1.19	2.49	3.03	2.40	4.23	4.29	4.25	4.12
Return on equity	5.52	3.02	1.65	3.58	4.28	3.42	6.59	6.97	6.98	6.84
Current ratio	197	171	181	165	160	159	165	160	162	165
Debt-to-equity ratio	7	6	7	8	9	10	10	12	14	15

Financial Statements

Consolidated Balance Sheets

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2004 and 2003	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Assets			
Current assets :			
Cash and cash equivalents (Note 4)	¥ 279,368	¥ 238,896	\$ 2,635,547
Time deposits	29	95	274
Securities (Note 5)	6,706	50	63,264
Trade receivables (Note 10)	400,112	383,576	3,774,642
Allowance for doubtful receivables	(4,846)	(5,173)	(45,717)
Inventories (Note 6)	69,992	74,702	660,302
Prepaid expenses and other current assets (Notes 10 and 13)	20,541	23,363	193,781
Total current assets	771,902	715,509	7,282,093
Investments and advances :			
Non-consolidated subsidiaries and associated companies (Note 10)	12,401	12,540	116,991
Investment securities (Note 5)	144,576	93,006	1,363,924
Other (Note 10)	753	711	7,104
Total investments and advances	157,730	106,257	1,488,019
Property, plant and equipment, at cost (Note 7) :			
Land	117,050	116,505	1,104,245
Buildings	408,241	408,097	3,851,330
Machinery and equipment	890,706	893,942	8,402,887
Construction in progress	10,636	12,422	100,340
Total	1,426,633	1,430,966	13,458,802
Accumulated depreciation	(913,458)	(890,092)	(8,617,528)
Net property, plant and equipment	513,175	540,874	4,841,274
Other assets (Note 13)	70,927	87,387	669,123
Total assets	¥ 1,513,734	¥ 1,450,027	\$ 14,280,509

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

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries March 31, 2004 and 2003	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Liabilities and Stockholders' Equity			
Current liabilities :			
Short-term bank loans (Note 7)	¥ 8,034	¥ 10,558	\$ 75,792
Current portion of long-term debt (Note 7)	4,033	36,070	38,047
Trade payables (Note 10)	278,315	267,874	2,625,613
Accrued expenses (Note 10)	34,380	31,148	324,340
Income taxes payable (Note 13)	20,964	25,059	197,774
Other current liabilities (Note 10)	45,967	47,051	433,651
Total current liabilities	391,693	417,760	3,695,217
Long-term liabilities :			
Long-term debt (Note 7)	59,342	8,700	559,830
Liability for retirement benefits (Note 8)	59,573	57,812	562,009
Other long-term liabilities (Note 13)	362	309	3,416
Total long-term liabilities	119,277	66,821	1,125,255
Minority interests	24,028	23,363	226,679
Contingent liabilities (Note 16)			
Stockholders' equity :			
Common stock -			
Authorized : 1,200,000,000 shares;			
Issued : 759,480,693 shares (Note 9)	114,464	114,464	1,079,849
Capital surplus (Note 9)	144,901	144,898	1,366,991
Retained earnings (Note 9)	743,393	705,099	7,013,142
Unrealized gain on available-for-sale securities	27,273	2,581	257,292
Foreign currency translation adjustments	(4,935)	(3,200)	(46,558)
Treasury stock, at cost 33,803,271 shares in 2004 and 18,319,543 shares in 2003 ...	(46,360)	(21,759)	(437,358)
Total stockholders' equity	978,736	942,083	9,233,358
Total liabilities, minority interests and stockholders' equity	¥ 1,513,734	¥ 1,450,027	\$ 14,280,509

Financial Statements

Consolidated Statements of Income

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2004 and 2003	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Net sales (Note 17)	¥ 1,354,101	¥ 1,309,002	\$ 12,774,538
Cost of sales (Notes 11, 14 and 17)	1,073,118	1,043,456	10,123,755
Gross profit	280,983	265,546	2,650,783
Selling, general and administrative expenses (Notes 11, 14 and 17)	178,545	175,665	1,684,387
Operating income	102,438	89,881	966,396
Other income (expenses) (Note 12) :			
Interest and dividend income	2,287	2,279	21,575
Interest expenses	(1,171)	(1,061)	(11,047)
Equity in losses of associated companies	(1,976)	(655)	(18,642)
Net loss on disposal of property, plant and equipment	(7,540)	(7,118)	(71,132)
Net gain (loss) on sales of marketable securities and investment securities	4,239	(196)	39,991
Loss on devaluation of investment securities	(1,385)	(30,253)	(13,066)
Payments of special retirement benefits	(15)	(1,688)	(142)
Loss on discontinued business	(3,010)	-	(28,396)
Amortization of transitional obligation for retirement benefits (Note 8)	(3,886)	(6,033)	(36,660)
Issuance cost of debentures	(255)	-	(2,406)
Special provision for doubtful receivables for membership rights	(86)	(395)	(811)
Contribution income from restructuring of joint venture business	1,684	-	15,887
Gain on exemption from future pension obligation of the governmental program (Note 8)	6,132	-	57,849
Other	(4,319)	(2,517)	(40,745)
	(9,301)	(47,637)	(87,745)
Income before income taxes and minority interests	93,137	42,244	878,651
Income taxes (Note 13) :			
Current	35,086	34,240	331,000
Deferred	3,257	(20,477)	30,726
	38,343	13,763	361,726
	54,794	28,481	516,925
Minority interests	(1,823)	293	(17,199)
Net income	¥ 52,971	¥ 28,774	\$ 499,726

	Yen		U.S. dollars (Note 3)
Net assets per common share	¥ 1,348.40	¥ 1,270.81	\$ 12.72
Net income per common share:			
Primary	71.49	37.80	0.67
Fully diluted	-	37.67	-

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, 2004 and 2003	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Common stock :			
Balance at beginning of year	¥ 114,464	¥ 114,464	\$ 1,079,849
Balance at end of year	¥ 114,464	¥ 114,464	\$ 1,079,849
Capital surplus :			
Balance at beginning of year	¥ 144,898	¥ 144,898	\$ 1,366,963
Gain on sales of treasury stocks	3	-	28
Balance at end of year	¥ 144,901	¥ 144,898	\$ 1,366,991
Retained earnings :			
Balance at beginning of year	¥ 705,099	¥ 688,491	\$ 6,651,877
Net income	52,971	28,774	499,726
Cash dividends (Note 9)	(14,466)	(13,668)	(136,472)
Bonuses to directors	(211)	(199)	(1,989)
Decrease resulting from change in consolidation scope	-	(119)	-
Increase resulting from change in consolidation scope	-	1,820	-
Balance at end of year	¥ 743,393	¥ 705,099	\$ 7,013,142

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

Financial Statements

Consolidated Statements of Cash Flows

Dai Nippon Printing Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2004 and 2003	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Cash flows from operating activities :			
Income before income taxes and minority interests	¥ 93,137	¥ 42,244	\$ 878,651
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities :			
Depreciation.....	85,182	89,239	803,604
Provision for doubtful receivables (net).....	2,276	2,069	21,472
Provision for retirement benefits (net).....	1,761	12,865	16,613
Equity in losses of associated companies.....	1,976	655	18,642
Amortization of consolidation goodwill (net).....	1,133	369	10,689
Interest and dividend income.....	(2,287)	(2,279)	(21,575)
Interest expenses.....	1,171	1,061	11,047
Net loss (gain) on sales of marketable securities and investment securities.....	(4,239)	196	(39,991)
Loss on devaluation of investment securities.....	1,385	30,253	13,066
Net loss on disposal of property, plant and equipment.....	7,540	7,118	71,132
Decrease (increase) in trade receivables.....	(17,519)	38,841	(165,274)
Decrease in inventories.....	4,085	3,331	38,538
Increase in trade payables.....	12,248	1,947	115,547
Other.....	12,820	(6,929)	120,943
Sub-total.....	200,669	220,980	1,893,104
Payments of special retirement benefits.....	(15)	(1,688)	(142)
Payments of income taxes.....	(39,167)	(21,879)	(369,500)
Net cash provided by operating activities.....	161,487	197,413	1,523,462
Cash flows from investing activities :			
Net decrease in time deposits.....	65	299	613
Payments for purchases of marketable securities.....	(6,703)	(50)	(63,236)
Proceeds from sales of marketable securities.....	50	3,160	472
Payments for purchases of property, plant and equipment.....	(66,684)	(65,554)	(629,094)
Proceeds from sales of property, plant and equipment.....	3,307	1,331	31,198
Payments for purchases of investment securities.....	(18,744)	(24,141)	(176,830)
Proceeds from sales of investment securities.....	11,563	9,409	109,085
Interest and dividend received.....	2,453	2,279	23,142
Other.....	(20,047)	(14,125)	(189,124)
Net cash used in investing activities.....	(94,740)	(87,392)	(893,774)
Cash flows from financing activities :			
Net decrease in short-term bank loans.....	(1,275)	(1,349)	(12,028)
Proceeds from long-term debt.....	5,100	6,000	48,113
Repayments of long-term debt.....	(6,731)	(11,289)	(63,500)
Proceeds from issuance of unsecured debentures.....	49,745	-	469,292
Redemption of convertible debentures.....	(29,663)	(19,181)	(279,840)
Interest paid.....	(1,156)	(1,165)	(10,906)
Dividend paid.....	(14,823)	(14,108)	(139,839)
Payments for purchases of treasury stocks.....	(26,135)	(21,694)	(246,556)
Other.....	694	656	6,547
Net cash used in financing activities.....	(24,244)	(62,130)	(228,717)
Effect of exchange rate changes on cash and cash equivalents.....	(2,031)	(645)	(19,160)
Net increase in cash and cash equivalents.....	40,472	47,246	381,811
Cash and cash equivalents at beginning of year.....	238,896	189,615	2,253,736
Cash and cash equivalents of newly consolidated subsidiaries.....	-	2,035	-
Cash and cash equivalents at end of year.....	¥ 279,368	¥ 238,896	\$ 2,635,547

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, 2004 and 2003

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 Financial Services Agency of Japan as required by the Securities and Exchange Law of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. Certain reclassifications have also been made in the 2003 financial statements to conform with current classifications. In addition, the notes to the consolidated financial statements include additional information which is also not required for disclosure under accounting principles and practices generally accepted in Japan.

2. Significant Accounting Policies

Consolidation

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

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

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

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

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

Translation of foreign currency accounts

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

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

Cash and cash equivalents

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

Inventories

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

Marketable securities and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and ii) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

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

Property, plant and equipment and depreciation

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

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

The estimated useful lives for depreciation purposes range as follows:

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

Assets with an acquisition cost of ¥100,000 (\$943) or more per unit and less than ¥200,000 (\$1,887) 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 five years.

Liability for retirement benefits

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

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

Research and development expenses

Research and development expenses are charged to income as incurred.

Accounting for leases

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

Income taxes

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

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

Derivatives and hedging activities

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

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

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

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

Net assets and income per common share

Net assets per common share were computed based on the number of shares outstanding after deducting treasury stock at March 31, 2004 and 2003, respectively.

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

3. Basis of Translating Financial Statements

The consolidated financial statements are expressed in Japanese yen in accordance with accounting principles and practices generally accepted in Japan. The Japanese yen amounts have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥106 = U.S. \$1, the approximate exchange rate on the Tokyo Foreign Exchange Market at March 31, 2004. 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, 2004 and 2003 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Cash and cash equivalents (excluding time deposits with a maturity over three months).....	¥ 279,368	¥ 238,896	\$ 2,635,547

5. Marketable Securities and Investment Securities

The acquisition cost and aggregate fair value of marketable and investment securities classified as available-for-sale securities as of March 31, 2004 and 2003 were as follows:

March 31, 2004	Millions of yen			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Stocks	¥ 54,713	¥ 47,763	¥ 1,591	¥ 100,885
Others	20,903	31	-	20,934
Total	¥ 75,616	¥ 47,794	¥ 1,591	¥ 121,819

	Thousands of U.S. dollars (Note 3)			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Stocks	\$ 516,160	\$ 450,594	\$ 15,009	\$ 951,745
Others	197,198	293	-	197,491
Total	\$ 713,358	\$ 450,887	\$ 15,009	\$ 1,149,236

March 31, 2003	Millions of yen			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
Stocks	¥ 59,187	¥ 11,675	¥ 7,314	¥ 63,548
Others	109	-	-	109
Total	¥ 59,296	¥ 11,675	¥ 7,314	¥ 63,657

The proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥9,433 million (\$88,991 thousand) and ¥138 million, respectively. The gross realized gains on these sales for the years ended March 31, 2004 and 2003 were ¥4,707 million (\$44,406 thousand) and ¥50 million, respectively, and the gross realized losses on these sales for the years ended March 31, 2004 and 2003 were ¥433 million (\$4,085 thousand) and ¥97 million, respectively.

The following summarizes carrying amounts of securities with no fair value as of March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Held-to-maturity debt securities-			
Non-listed foreign securities.....	¥ 3,000	¥ 5,000	\$ 28,302
Others	23	51	217
Available-for-sale securities-			
Non-listed equity securities	¥ 26,361	¥ 24,251	\$ 248,689
Others	16	97	151

The redemption schedules for securities with maturities classified as held-to-maturity debt securities and other securities at March 31, 2004 and 2003 are as follows:

March 31, 2004	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds.....	¥ 6,699	¥ 14,170	¥ -
Corporate bonds	6	16	-
Other bonds	1	-	3,000
	¥ 6,706	¥ 14,186	¥ 3,000

	Thousands of U.S. dollars (Note 3)		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds.....	\$ 63,198	\$ 133,679	\$ -
Corporate bonds	57	151	-
Other bonds	9	-	28,302
	\$ 63,264	\$ 133,830	\$ 28,302

March 31, 2003	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Corporate bonds	¥ -	¥ 82	¥ -
Other bonds	50	1	5,000
	¥ 50	¥ 83	¥ 5,000

6. Inventories

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Finished products	¥ 31,171	¥ 35,101	\$ 294,066
Work in process.....	25,630	26,283	241,793
Raw materials	13,191	13,318	124,443
	¥ 69,992	¥ 74,702	\$ 660,302

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

Short-term bank loans at March 31, 2004 and 2003 were represented by bank loans and bank overdrafts, etc. bearing interest at an average rate of 2.18 % per annum for 2004 and 2.73% per annum for 2003.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Yen	Millions of yen		Thousands of U.S. dollars (Note 3)
		2004	2003	2004
Unsecured convertible debentures				
1.8% due 2004	¥ 2,677.40	¥ -	¥ 29,663	\$ -
Unsecured debentures				
1.67% due 2014		50,000	-	471,698
Mortgage loans, maturing 2004-2007		1,303	2,310	12,292
Unsecured loans, maturing 2004-2010		12,072	12,797	113,887
		63,375	44,770	597,877
Current portion of long-term debt.....		(4,033)	(36,070)	(38,047)
		¥ 59,342	¥ 8,700	\$ 559,830

Mortgage loans were secured by property, plant and equipment amounting to ¥1,681 million (\$15,858 thousand) and ¥1,732 million at March 31, 2004 and 2003, respectively.

With minor exceptions, interest rates on mortgage loans ranged from 0.89% to 2.54% per annum for 2004 and from 0.88% to 3.30% per annum for 2003, while interest rates on unsecured loans ranged from 0.58% to 2.18% per annum for 2004 and from 0.35% to 4.15% per annum for 2003.

The aggregate annual maturities of long-term debt after March 31, 2004 were as follows:

Year ending March 31	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2004	2003	2004	2003
2005	¥ 4,033	¥ 3,876	\$ 38,047	\$ 36,566
2006	3,063	1,538	28,896	14,509
2007	1,538	640	14,509	6,038
2008	640	50,225	6,038	473,821
2009	50,225	¥ 63,375	473,821	\$ 597,877
2010 and thereafter	¥ 63,375	\$ 597,877		

8. Retirement Benefits

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

In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, the Company and the subsidiary applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government upon approval. The Company and the subsidiary obtained approval for exemption from the future obligation by the Ministry of Health, Labor and Welfare on June 1, 2003 and January 30, 2003 respectively and recognized a gain on exemption from the future pension obligation of the governmental program in the amount of ¥6,132 million (\$57,849 thousand) for the year ended March 31, 2004. The substitutional portion of the plan assets which will be transferred to the government in the subsequent year is measured to be a approximately ¥58,161 million (\$548,689 thousand) as at March 31, 2004.

The liability for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2004	2003	2004	2003
Projected benefits obligation	¥ 132,256	¥ 229,674	\$ 1,247,698	\$ 1,947,698
Fair value of plan assets	(54,565)	(93,528)	(514,764)	(898,528)
Unrecognized transitional obligation	(3,522)	(12,068)	(33,227)	(112,068)
Unrecognized actuarial loss	(14,596)	(69,677)	(137,698)	(656,677)
Unrecognized prior service cost	-	3,392	-	3,392
Prepaid pension cost	-	19	-	19
Net liability	¥ 59,573	¥ 57,812	\$ 562,009	\$ 548,689

The components of net periodic benefits costs were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2004	2003	2004	2003
Service cost	¥ 6,659	¥ 8,062	\$ 62,821	\$ 76,821
Interest cost	3,134	5,866	29,566	55,866
Expected return on plan assets	(803)	(2,507)	(7,575)	(23,507)
Amortization of transitional projected benefits obligation	3,886	6,033	36,660	57,033
Actuarial loss	7,026	7,825	66,283	72,825
Amortization of prior service cost	(141)	(848)	(1,330)	(8,480)
Net periodic benefits costs	19,761	24,431	186,425	224,431
Gain on exemption from future pension obligation of the governmental program	(6,132)	-	(57,849)	-
Total	¥ 13,629	¥ 24,431	\$ 128,576	\$ 224,431

Assumptions used for the years ended March 31, 2004 and 2003 were set forth as follows:

	2004	2003
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.0%	2.9%
Recognition period of actuarial gain/loss	11 years	11 years
Amortization period of transitional obligation	5 years	5 years
Amortization period of prior service cost	6 years	6 years

9. Stockholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective since October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the stockholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the stockholders at the general stockholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders meeting.

The amount of retained earnings available for dividends under the Code was ¥551,206 million (\$5,200,057 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

Cash dividends and appropriations to legal reserve charged to retained earnings during the years ended March 31, 2004 and 2003 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 ¥11.50 (\$0.11) per share, aggregating ¥8,353 million (\$78,802 thousand) and the related appropriation to legal reserve of the Company, which were approved at the general stockholders' meeting held in June 2004 with respect to the year ended March 31, 2004.

10. Accounts with Non-consolidated Subsidiaries and Associated Companies

Account balances with non-consolidated subsidiaries and associated companies as of March 31, 2004 and 2003 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Trade receivables.....	¥ 8,437	¥ 7,271	\$ 79,594
Other current assets.....	1,391	5,859	13,123
Investment securities (stock).....	3,986	4,133	37,604
Long-term loans.....	8,433	8,390	79,557
Other investments.....	457	366	4,311
Trade payables.....	2,898	4,216	27,340
Accrued expenses.....	1,646	1,621	15,528
Other current liabilities.....	11,517	6,965	108,651

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Transportation expenses.....	¥ 16,830	¥ 15,946	\$ 158,774
Provision for doubtful receivables.....	381	990	3,594
Salaries and allowances.....	40,737	43,337	384,311
Bonuses paid.....	8,851	9,728	83,500
Accrued bonuses.....	5,464	4,766	51,547
Provision for retirement benefits.....	7,575	8,864	71,462
Depreciation.....	10,919	11,691	103,009
Research and development expenses.....	23,809	20,664	224,613
Other.....	63,979	59,679	603,577
	<u>¥ 178,545</u>	<u>¥ 175,665</u>	<u>\$ 1,684,387</u>

Total research and development expenses (including manufacturing costs) amounted to ¥26,050 million (\$245,755 thousand) and ¥24,097 million for 2004 and 2003, 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)
	2004	2003	2004
Interest and dividend income.....	¥ 207	¥ 227	\$ 1,953
Leasing fees.....	1,048	1,223	9,887

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 42.0% for the years ended March 31, 2004 and 2003.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 42.0% to 40.7%, effective for years beginning on or after April 1, 2004.

The deferred tax assets and liabilities which will realize on or after April 1, 2004 are measured at the effective tax rate of 40.7% as at March 31, 2004.

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.

No reconciliation of the differences between the normal effective statutory tax rate and the actual effective tax rate for the year ended March 31, 2004 was shown because the difference was less than five percent of the statutory tax rate, although the difference for 2003 was shown as follows:

	2003
Normal effective statutory tax rate.....	42.0%
Expenses not deductible for income tax purposes.....	1.7
Valuation allowance for operating losses of subsidiaries-net.....	(13.7)
Other.....	2.6
Actual effective tax rate.....	<u>32.6%</u>

Net deferred tax assets and liabilities at March 31, 2004 and 2003, 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)
	2004	2003	2004
Prepaid expenses and other current assets.....	¥ 12,262	¥ 9,891	\$ 115,679
Other assets.....	25,381	47,989	239,443
	<u>¥ 37,643</u>	<u>¥ 57,880</u>	<u>\$ 355,122</u>
Other current and long-term liabilities.....	¥ 277	¥ 267	\$ 2,613

Significant components of deferred tax assets at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Current:			
Excess provision for doubtful receivables.....	¥ 1,293	¥ 960	\$ 12,198
Loss on devaluation of inventories.....	644	1,227	6,075
Accrued bonuses.....	5,407	4,228	51,009
Enterprise tax payable.....	1,804	1,552	17,019
Other.....	3,114	1,924	29,378
Total.....	<u>¥ 12,262</u>	<u>¥ 9,891</u>	<u>\$ 115,679</u>
Non-current:			
Excess provision for retirement benefits.....	¥ 23,998	¥ 22,145	\$ 226,396
Loss on devaluation of investment securities.....	21,195	24,677	199,953
Other.....	(19,812)	1,167	(186,906)
Total.....	<u>¥ 25,381</u>	<u>¥ 47,989</u>	<u>\$ 239,443</u>

14. Leases

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

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Acquisition cost	¥ 39,297	¥ 43,181	\$ 370,726
Accumulated depreciation	(22,002)	(23,289)	(207,566)
Net book value	¥ 17,295	¥ 19,892	\$ 163,160

Lease expenses on finance lease contracts without ownership-transfer amounted to ¥10,759 million (\$101,500 thousand) and ¥12,391 million for the years ended March 31, 2004 and 2003, respectively.

The amounts of outstanding future payments under finance leases due on March 31, 2004 and 2003, including the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Future lease payments:			
One year or less	¥ 7,086	¥ 7,977	\$ 66,849
More than one year	10,209	11,915	96,311
	¥ 17,295	¥ 19,892	\$ 163,160

The amounts of outstanding future payments under operating leases due on March 31, 2004 and 2003 were also summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Future lease payments:			
One year or less	¥ 579	¥ 371	\$ 5,462
More than one year	1,155	1,430	10,896
	¥ 1,734	¥ 1,801	\$ 16,358

15. Derivative Financial Instruments

Nature of Derivative Financial Instruments:

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

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

Fair value of Derivative Financial Instruments:

The contracted amount and fair value of derivatives for foreign currency forward contracts at March 31, 2004 and 2003 were as follows:

2004	Millions of yen		
	Contracted amount	Fair value	Unrealized gain
Receivables:			
U.S.dollars	¥ 11,756	¥ 11,587	¥ 169
Euro	463	455	8
	¥ 12,219	¥ 12,042	¥ 177

2004	Thousands of U.S. dollars (Note 3)		
	Contracted amount	Fair value	Unrealized gain
Receivables:			
U.S.dollars	\$ 110,906	\$ 109,311	\$ 1,594
Euro	4,368	4,292	75
	\$ 115,274	\$ 113,603	\$ 1,669

2003	Millions of yen		
	Contracted amount	Fair value	Unrealized gain
Receivables:			
U.S.dollars	¥ 11,129	¥ 11,224	¥ 95
Euro	12	13	1
Payables:			
U.S.dollars	(35)	(35)	-
	¥ 11,106	¥ 11,202	¥ 96

Fair value was determined based on the foreign currency forward exchange market rates. Foreign currency forward contracts which qualified for hedge accounting for the years ended March 31, 2004 and 2003 and were assigned to the associated assets and liabilities or deferred until completion of the forecasted transactions were excluded from disclosure of the above fair value information.

16. Contingent Liabilities

The Company was guarantor of bank loans of an other company, amounting to approximately ¥90 million (\$849 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, 2004 and 2003, the Company and its consolidated subsidiaries were contingently liable on trade notes discounted in the amount of ¥1,150 million (\$10,849 thousand) and ¥1,400 million, respectively. Notes discounted were accounted for as sales.

17. Business Segment Information**Industry segments:**

The Company's primary business industries principally consist of Printing and Beverage operations. The Printing business includes three segments : Information Communication, Lifestyle and Industrial Supplies, and Electronics.

The following tables present certain financial information, including net sales, costs and expenses, operating income, assets, depreciation and capital expenditures regarding the Company's industry segments at March 31, 2004 and 2003 and for the years then ended.

For 2004:	Millions of yen						Consolidated
	Printing			Beverages	Total	Elimination and/or corporate	
	Information Communication	Lifestyle and Industrial Supplies	Electronics				
Net sales:							
Outside customers	¥ 622,466	¥ 425,523	¥ 236,402	¥ 69,710	¥ 1,354,101	¥ -	¥ 1,354,101
Inter-segment	7,350	543	24	-	7,917	(7,917)	-
Total	629,816	426,066	236,426	69,710	1,362,018	(7,917)	1,354,101
Costs and expenses	586,147	393,623	203,399	70,082	1,253,251	(1,588)	1,251,663
Operating income	¥ 43,669	¥ 32,443	¥ 33,027	¥ (372)	¥ 108,767	¥ (6,329)	¥ 102,438
Assets, depreciation and capital expenditures:							
Assets	¥ 489,455	¥ 395,580	¥ 291,353	¥ 46,782	¥ 1,223,170	¥ 290,564	¥ 1,513,734
Depreciation	¥ 22,199	¥ 24,154	¥ 33,056	¥ 4,330	¥ 83,739	¥ 1,443	¥ 85,182
Capital expenditures	¥ 13,726	¥ 19,777	¥ 31,578	¥ 4,176	¥ 69,257	¥ 577	¥ 69,834

For 2004:	Thousands of U.S. dollars (Note 3)						Consolidated
	Printing			Beverages	Total	Elimination and/or corporate	
	Information Communication	Lifestyle and Industrial Supplies	Electronics				
Net sales:							
Outside customers	\$ 5,872,321	\$ 4,014,368	\$ 2,230,208	\$ 657,641	\$ 12,774,538	\$ -	\$ 12,774,538
Inter-segment	69,340	5,123	226	-	74,689	(74,689)	-
Total	5,941,661	4,019,491	2,230,434	657,641	12,849,227	(74,689)	12,774,538
Costs and expenses	5,529,689	3,713,425	1,918,858	661,151	11,823,123	(14,981)	11,808,142
Operating income	\$ 411,972	\$ 306,066	\$ 311,576	\$ (3,510)	\$ 1,026,104	\$ (59,708)	\$ 966,396
Assets, depreciation and capital expenditures:							
Assets	\$ 4,617,500	\$ 3,731,887	\$ 2,748,613	\$ 441,340	\$ 11,539,340	\$ 2,741,169	\$ 14,280,509
Depreciation	\$ 209,425	\$ 227,868	\$ 311,849	\$ 40,849	\$ 789,991	\$ 13,613	\$ 803,604
Capital expenditures	\$ 129,491	\$ 186,575	\$ 297,906	\$ 39,396	\$ 653,368	\$ 5,443	\$ 658,811

For 2003:	Millions of yen						Consolidated
	Printing			Beverages	Total	Elimination and/or corporate	
	Information Communication	Lifestyle and Industrial Supplies	Electronics				
Net sales:							
Outside customers	¥ 611,754	¥ 417,277	¥ 208,138	¥ 71,833	¥ 1,309,002	¥ -	¥ 1,309,002
Inter-segment	8,170	2,890	242	2	11,304	(11,304)	-
Total	619,924	420,167	208,380	71,835	1,320,306	(11,304)	1,309,002
Costs and expenses	579,851	391,572	180,063	72,001	1,223,487	(4,366)	1,219,121
Operating income	¥ 40,073	¥ 28,595	¥ 28,317	¥ (166)	¥ 96,819	¥ (6,938)	¥ 89,881
Assets, depreciation and capital expenditures:							
Assets	¥ 484,957	¥ 382,773	¥ 270,647	¥ 53,990	¥ 1,192,367	¥ 257,660	¥ 1,450,027
Depreciation	¥ 24,173	¥ 26,333	¥ 32,940	¥ 3,707	¥ 87,153	¥ 2,086	¥ 89,239
Capital expenditures	¥ 16,941	¥ 17,170	¥ 30,575	¥ 7,172	¥ 71,858	¥ 1,931	¥ 73,789

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, 2004 and 2003.

Overseas sales:

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003.

		Millions of yen		Thousands of U.S. dollars (Note 3)
		2004	2003	2004
Overseas sales	(a)	¥ 201,368	¥ 183,996	\$ 1,899,698
Consolidated net sales	(b)	1,354,101	1,309,002	12,774,538
Ratio	(a)/(b)	14.9%	14.1%	14.9%

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 consolidated subsidiaries as of March 31, 2004 and 2003, 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 referred to above present fairly, in all material respects, the financial position of Dai Nippon Printing Co., Ltd. and consolidated subsidiaries at March 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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 29, 2004

Meiji Audit Corporation

MEIJI AUDIT CORPORATION

		Capital (Millions of yen)	Ownership ratio (%)
Printing			
Hokkaido Dai Nippon Printing Co., Ltd.	Photoengraving, printing, bookbinding and production related to packaging	93	99.5
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, bookbinding and production related to packaging	50	97.0
Information Communication			
Books and Periodicals			
Dai Nippon Offset Co., Ltd.	Offset printing	200	100.0
Dai Nippon Seihon Co., Ltd.	Bookbinding	200	100.0
Dai Nippon Total Process Ichigaya Co., Ltd.	Photoengraving	100	100.0
Dai Nippon Total Process Maebashi Co., Ltd.	Photoengraving	100	100.0
Dai Nippon Art Co., Ltd.	Production of drafts for photoengraving	80	100.0
Dai Nippon Techtas Ichigaya Co., Ltd.	Bookbinding	80	100.0
Dai Nippon Uni Process Co., Ltd.	Photoengraving	80	100.0
Dai Nippon Total Process Nagaoka Co., Ltd.	Photoengraving	50	100.0
DNP Butsuryu Systems Ichigaya Co., Ltd.	Warehousing and packing of books and magazines	40	100.0
Tien Wah Press (Pte.) Ltd.	Photoengraving, printing and bookbinding	(\$S1,000)	100.0
		3,892	
Commercial Printing			
DNP Media Create Kansai Co., Ltd.	Planning, production, photoengraving and bookbinding	200	100.0
DNP Graphica Co., Ltd.	Printing and bookbinding	100	100.0
DNP Media Create Co., Ltd.	Planning, production, photoengraving and machine plate activities	100	100.0
Multi Print Co., Ltd.	Photoengraving, printing and bookbinding	100	100.0
DNP Butsuryu Systems Shouin Co., Ltd.	Warehousing and packing of commercial printings	50	100.0
Business Forms			
DNP Data Techno Co., Ltd.	Production and sales of plastic cards with magnetic stripes, IC chips and others	100	100.0
DNP Data Techno Kansai Co., Ltd.	Production of business forms and plastic cards	100	100.0
Dai Nippon Total Process BF Co., Ltd.	Photoengraving and machine plate activities	80	100.0
NexantiS Corporation	Sales of security related software and products	25	100.0
DNP Techtas BF Co., Ltd.	Enclosing, sealing, and logistics for business forms related products	20	100.0
Others			
MyPoint.com Japan Co., Ltd.	Marketing system planning and operations for Internet advertisements	1,796	83.0
DNP Archives.Com Co., Ltd.	Planning, producing and sales of art objects and contents	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 Space Design Co., Ltd.	Planning and designing shops, exhibition booths and other commercial spaces	100	100.0
Maison de DNP Ginza	Sales of Maison des Musées de France art products	60	100.0
DNP Corporate History Center Co., Ltd.	Planning and production of corporate history archives	50	100.0
Trans Art Inc.	Procurement and sales of art objects	50	100.0
CP Design Consulting Co., Ltd.	Consultation for the privacy protection	40	92.5
M's Communicate Co., Ltd.	Consultation for the customer relationship management	30	95.0
Lifestyle and Industrial Supplies			
Packaging			
DNP Technopack Tokai Co., Ltd.	Photoengraving and production of packaging	430	100.0
Dainippon Jushi Co., Ltd.	Production and processing of composite resins	380	100.0
Dai Nippon Printing Technopack Co., Ltd.	Photoengraving and production of packaging	300	100.0
Dai Nippon Printing Technopack Kansai Co., Ltd.	Photoengraving and production of packaging	200	100.0
Dai Nippon Printing Technopack Yokohama Co., Ltd.	Photoengraving and production of packaging	200	100.0
Sagami Yoki Co., Ltd.	Production of laminated tubes	200	90.0
Aseptic Systems Co., Ltd.	Sales and consultation of aseptic systems for beverages	100	100.0
Dai Nippon Polymer Co., Ltd.	Molding, processing and printing of plastic containers	100	100.0
Dai Nippon Cup Co., Ltd.	Molding and processing of paper containers	80	100.0
Dai Nippon Hoso Co., Ltd.	Filling and processing of packages	80	100.0
PT DNP Indonesia	Production and sales of packaging	(\$1,000)	51.0
		26,000	
Decorative Materials			
Dai Nippon Elio Co., Ltd.	Printing and processing of steel and other metal plates	300	50.0
Dai Nippon Printing Kenzai Co., Ltd.	Photoengraving, printing and processing	200	100.0
Industrial Supplies			
I.M.S. Dai Nippon Co., Ltd.	Printing of TTRs and ST materials	100	100.0
DNP IMS America Corporation	Processing of TTR barcode and facsimile ribbons	(US\$1000)	(100.0)
		20,000	100.0
Compagnie de Découpe de l'Ouest - CDO SAS	Small-roll processing of ink-ribbons for facsimiles	(Euro1,000)	
		3,040	23.4
DNP IMS France SAS	Sales of TTR barcode and facsimile ribbons	(Euro 1,000)	
		300	100.0

Investor Information

(as of March 31, 2004)

		Capital (Millions of yen)	Ownership ratio (%)
■Electronics			
Displays			
Advanced Colortech, Inc	Production and sales of color filters for LCDs	5,000	80.0
DAP Technology Co., Ltd.	Production and sales of PDP back plates	3,000	50.0
Dai Nippon Printing Precision Device Co., Ltd.	Production of high-precision components	400	100.0
DNP Electronics America, LLC	Manufacturing and sales of projection screens	(US\$1,000) 15,045	(100.0) 100.0
DNP Denmark A/S	Manufacturing and sales of projection screens	(Dkr1,000) 135,000	100.0
Electronic Devices			
D.T.Circuit Technology Co., Ltd.	Development and production of semiconductor related components	862	85.8
DT Fine Electronics Co., Ltd.	Production and sales of semiconductor related components	490	65.0
Dai Nippon Printing Fine Electronics Co., Ltd.	Production of high-precision components	300	100.0
Dai Nippon LSI Design Co., Ltd.	Logical circuit designs for ICs and LSIs and layout designs	100	100.0
Dai Nippon Micro Technica Co., Ltd.	Inspection and packing of semiconductor components	40	100.0
DNP Photomask Europe S.p.A.	Manufacturing and sales of photomasks	(Euro1,000) 47,200	80.6
■Others			
The Intec Inc.	Production and sales of ink, varnish, pigments and dyes	2,000	83.3
DNP Logistics Co., Ltd.	Packaging, shipping operations and warehouse management	626	100.0
D.N.K Co., Ltd.	Manufacturing and sales of printing equipment and machine tools	100	100.0
DNP Information Systems Co., Ltd.	Planning, designing, development, management, and operation of information systems	100	100.0
DNP Trading Co., Ltd.	Sales of paper and other products	100	94.3
Direc Co., Ltd.	Sales of publishing and educational equipment	96	55.0
SP Dai Nippon Co., Ltd.	Planning and production of promotional materials	80	100.0
Kyoiku Shuppan Co., Ltd.	Publishing	60	48.3
Dai Nippon Printing Accounting System Co., Ltd.	Accounting and consulting services	30	100.0
DNP Techno Research Co., Ltd.	Studies related to patents and the preparation of contracts	20	100.0
■Personnel Welfare, Facility Service, and Others			
Dai Nippon Kaihatsu Co., Ltd.	Real estate sales	250	100.0
Shiobara Green Village Co., Ltd.	Management of leisure facilities	200	99.6
DNP Facility Service Co., Ltd.	Management and operations of buildings and welfare facilities	100	100.0
DNP Human Service Co., Ltd.	Planning, management and data processing activities related to personnel plans	90	100.0
Uzumine Country Club Co., Ltd.	Management of golf courses	33	88.8
■Overseas Sales			
DNP America, LLC	Sales of printing solutions, electronic components and decorative materials	(US\$1,000) \$100	(100.0) 100.0
DNP Corporation USA	Holding company	(US\$1,000) \$34,806	(12.8) 100.0
DNP Holding USA Corporation	Holding company	(US\$1,000) \$100	(100.0) 100.0
DNP Taiwan Co.,Ltd.	Sales of displays and semiconductor components	(NT1,000) 10,000	100.0
DNP Europa GmbH	Sales of displays, semiconductor components and decorative materials	(Euro1,000) 92	100.0
DNP UK Co.,Ltd.	Sales of decorative materials	(GBP1,000) 120	100.0
Dai Nippon Printing Co. (Australia) Pty.Ltd.	Sales of printing solutions	(A\$1,000) 70	100.0
DNP Singapore Pte.Ltd.	Sales of displays, semiconductor components and decorative materials	(S\$1,000) 350	100.0
DNP Korea Co.,Ltd.	Sales of displays and semiconductor components	(Krw1,000) 500,000	100.0

Beverages

Hokkaido Coca-Cola Bottling Co., Ltd.	Manufacturing and sales of soft drinks	2,935	(3.8) 61.4

Ownership ratios (in brackets) indicate the percentage of shares owned through DNP's subsidiaries or affiliates.

Dai Nippon Printing Co., Ltd.

Head Office:

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

Established:

1876

Number of Employees:

34,514

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)

25,115

Major Shareholders: (non-consolidated)

The Master Trust Bank of Japan, Ltd.	6.90%
Japan Trustee Services Bank, Ltd.	5.49%
The Dai-ichi Mutual Life Insurance Co.	4.56%
Mizuho Bank, Ltd.	2.97%
Nippon Life Insurance Co.	2.91%
State Street Bank and Trust Company	2.70%
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	2.47%
Mizuho Corporate Bank, Ltd.	2.01%
Morgan Grenfell & Co., Ltd	1.66%
Mellon Bank Treaty Clients Omnibus	1.40%

Other than above, DNP holds 33,107,705 of its own shares. While the registered owner of these shares is Dai Nippon Printing Co., Ltd., 1,000 of the shares are in effect not owned by the company.

Common Stock Price Range (Tokyo Stock Exchange)

(For the years ended March 31, 2002, 2003 and 2004)

	2002		2003		2004	
	High	Low	High	Low	High	Low
1st Quarter	¥1,730	¥1,420	¥1,762	¥1,436	¥1,340	¥1,007
2nd Quarter	1,503	1,090	1,660	1,227	1,678	1,266
3rd Quarter	1,412	1,147	1,469	1,125	1,745	1,339
4th Quarter	1,569	1,154	1,340	1,113	1,759	1,455

Stock Exchange Listings:

Tokyo, Osaka, Nagoya, Luxembourg, Amsterdam

Transfer Agent:

Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku,
Tokyo 103-8670, Japan
Phone: +813-5213-5213

Annual Meeting of Shareholders:

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

Investor Relations:

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