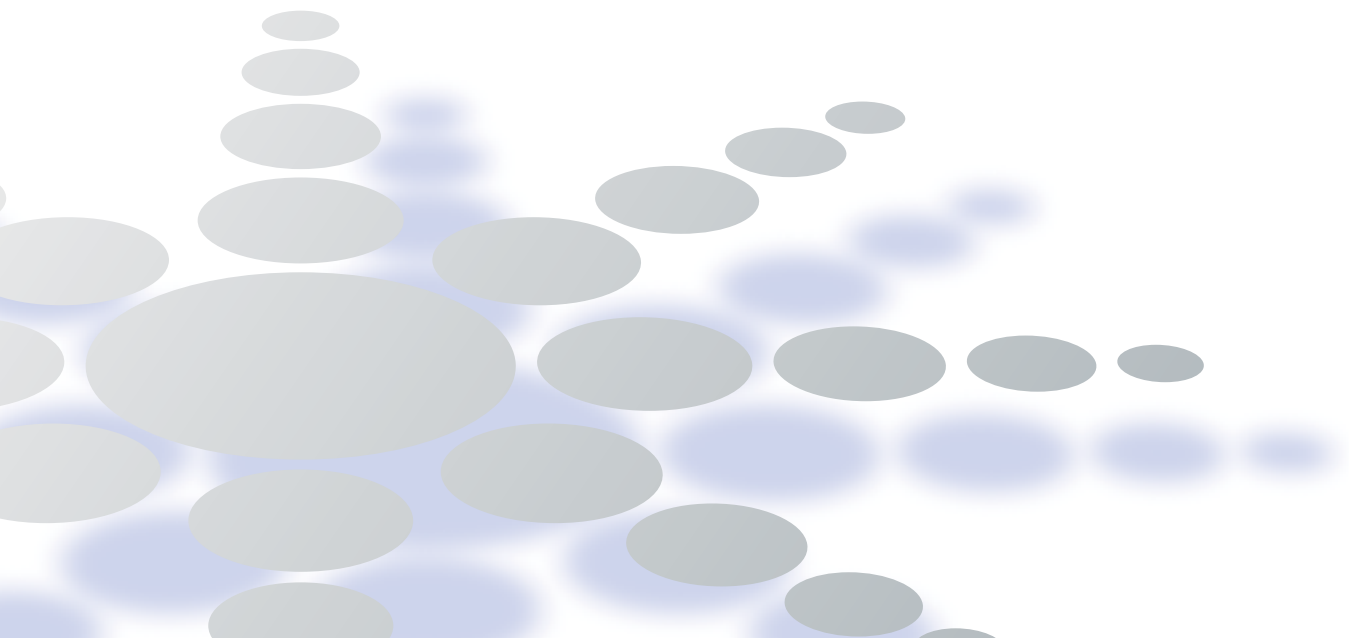


ANNUAL
REPORT
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mpe Miura Printing Corporation



Profile

Miura Printing Corporation has challenged the possibility of the art of color printing aiming at a “more beautiful finish”, a starting point for printing, and thus has contributed to Japanese culture. From now, we will strive to develop new technology and facilities for more beautiful color printing, in order to communicate strong emotions in the field of art and the splendor of good and service in the field of the techniques but also our “sensibilities” in order to communicate the clients’ “will” in our medium.

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Message From The President



On behalf of the company, I want to thank our shareholders and others for your support and understanding.

I wish to take this opportunity to present this annual report on the conclusion of our 58th accounting term (April 1, 2002 - March 31, 2003).

Over the course of the term, overall demand in the printing industry continued to flounder due to a worsening economy. Moreover, an intensification of competitive pressures led to drops in the unit prices of orders. Unfortunately, this was accompanied by a rise in the unit cost of paper. Consequently, consolidated sales declined by 2.2% compared with the previous term. By either measure, our year-on-year performance deteriorated. We are determined to confront these circumstances with a sense of profound gravity. In order to stage a business recovery, we will implement the following measures, which we believe constitute issues of great importance for our future.

From a sales standpoint, we will begin by cultivating new demand as we branch out into new areas of potential sales. We are prepared to strengthen our capacity to respond to the needs of our customers by expanding in the following areas: data printing as used, for example, in direct mailing services; our contents management system, which is what we use to control printing information; and digital printing. Also, we established a Technology Development Section this past February, 2003 to propose products and technological innovations that will increase the value added to commercial printing jobs.

From a production standpoint, we set up a Production Strategy Office in April, 2003 to define and carry out strategies of the Production Department that are consistent with a company-wide outlook. From a quality standpoint, we managed to merge the ISO 9002 certification of our Funabashi Plant with the ISO 9001 certification of our main Head Office Plant in February of this year. As a result, we were able to create a unified system of quality assurance, with coverage extending to our Distribution Department, as well. We are convinced that these steps have made it possible for us to provide even more reliable, high-quality printed matter to our customers. From an efficiency standpoint, we continue to make gradual strides in line with our process reforms based on IE (industrial engineering). Our aim is to eliminate existing bottlenecks in the printing process and strive towards comprehensive optimization.

While we can appreciate the fact that we can only expect limited growth for the paper-based printed matter market in the medium and long terms, we are nevertheless committed to improving our business performance through implementation of the aforementioned measures and policies.

In closing, let me thank all of our shareholders and ask for your continued encouragement.

June 1, 2003

A handwritten signature in black ink that reads "Hisashi Miura".

Hisashi Miura
President

COMMENCING OPERATIONS OF EMS

In 2001, we set up the Office for the Promotion of the Environment, which was charged with such tasks as sorting through waste and collecting environmental data. To reflect awareness of the need to address environmental issues as a key business challenge, an Environment Committee comprising executives and directors was organized in April of this year. This committee has thus far nominated certain executives to be in charge of EMS (Environmental Management System). These individuals are responsible for the company's entire EMS. At the same time, the company's environmental policies, an EMS Promotion Body and person in charge, and environment manual were all approved.



May 14, 2003 marked the practical launch of EMS promotional activities at our company, which was made possible in part by the participation of various section chiefs. EMS activities are an attempt to identify and neutralize every facet (approximately 2,500 points) of our production and service operations that exert a negative impact on the global environment. These points are dealt with according to their priority ranking in

order to systematically ameliorate the environmental impact. To facilitate this endeavor, policies, goals, and targets are set and roles are assigned within the organization. Manuals and regulations that outline activity guidelines are also prescribed. All this is done in order to enable the practical and attainable development of such activities.

While EMS is considered an essential prerequisite in our quest to secure ISO14001 certification, such an end result does not define our ultimate goal. Instead, it goes without saying that we comply with laws, and that we strive to carry out, through our actions, "environmental initiatives that are within the capacity of Miura Printing to fulfill."

COMMITTEE FOR THE PROTECTION OF PERSONAL INFORMATION-FORTIFYING ACTIVITIES AND SYSTEMS DEDICATED TO PROTECTING PERSONAL INFORMATION

In addition to handling the personal information of our own employees, our company is increasingly placed in circumstances where we are required to handle personal information provided by customers, such as in the cases of jobs involving the printing of addressee information on direct mailing batches. In the information society in which we now live and operate, laws and regulations pertaining to personal information and privacy concerns are constantly being enacted, and it is expected that rules relating to the handling of personal information by companies will become substantially stricter as time goes on.

With the aim of promoting the protection of personal information within the company, a special project was inaugurated in October 2001, after which a compliance program and other similar measures were implemented. In March of this year, a Committee for the Protection of Personal Information was set up to further strengthen the system we had in place to protect personal information. Henceforth, this committee will be positioned at the center of our efforts to carry out various privacy measures while we seek to acquire the right to use a privacy mark that would certify our standards in this area.

PROMOTING THE DEVELOPMENT OF NEW TECHNOLOGIES TO PROVIDE AN EDGE IN SECURING PROPOSAL-BASED BUSINESS

While we are cognizant of the increasing difficulties we are likely to face in the paper-based printing sector, we believe that the key to holding onto the customers we have and increasing sales lies in efforts to secure new technologies. This belief led to the establishment of the Technology Development Section in February.

The primary mission of the Technology Development Section is to "develop new technologies and new business models linked to a proposal-based business approach designed to increase sales." At present, new business models, such as those based on value-added printing and expanded printing, are being investigated, and research into measures to improve printing and on-site processing environments is proceeding with the cooperation of university research laboratories.

At the same time, a New Technologies Development Committee was also launched and charged with taking the results of research put forth by the Technology Development Section and examining them in light of commercial feasibility and methods of sales development.

NETSQUARE TO MEET THE NEEDS OF BUSINESS AND PERSONAL USERS

Miura Printing Corporation possesses strengths in the production of high-quality posters, pamphlets, and catalogs. However, in order to serve the market for small lots and near letter quality printing jobs, we decided to team up with NETSQUARE, a company with proven expertise in providing support to businesses. On this note, the NETSQUARE Nihonbashi Muromachi Outlet opened its doors for business on May 12, 2003.



Based on the collaborative efforts of both companies, it is hoped that a new model for the provision of business support can be developed. The ultimate objective is to someday expand into IT consulting and open up a printing and comprehensive IT outlet to serve SOHOs and personal users with our expertise in these and other related areas.

OPERATING RESULTS

During the term in question, Japan's economy remained mired in dire straits, with private capital investments and individual consumption still sluggish due to progressive trends in terms of deflationary pressures, financial instability, and falling stock prices in international markets. Closer to home, overall demand in the printing industry continued to flounder due to a worsening economy, while an intensification of competitive pressures led to drops in the unit prices of orders. This was accompanied by a rise in the unit cost of paper. Buffeted by these circumstances, we are determined to branch out into new areas of potential sales and expand revenues by cultivating a base of new customers. Concurrently, we will review our production processes in accordance with our IE approach and endeavor to improve production efficiencies and cut costs. We will demonstrate our commitment to securing profits by reducing expenditures in as many areas as possible. That said, however, we are faced with the grave effects of deflationary progression, which translates into reduced demand and lower unit prices of orders in accordance with lower advertising expenses, which in turn leads to downward trends in sales and operating earnings. Despite incurring a considerable hit arising from a revaluation of investments in securities in the term just ended, our year-on-year net income figures improved due to the fact that a large amount of extraordinary losses, such as in connection with the costs of business-related structural improvements, was posted in the preceding term.

In summary consolidated statements, net sales for the term stood at 20,655 million yen (year-on-year decline of 2.2%), and current net income amounted to 128 million yen.

FUTURE OUTLOOK

Shaped both by anxiety over an economy mired in a slump because of deflationary pressures and by the lack of transparency concerning the economies of the U.S. and the rest of the world, it appears as if business prospects will worsen before things get better. Within this situational framework, we will continue to regard the customer as our number one priority. Thus motivated, we will attempt to become more efficient and reinforce our quality assurance system by branching out into new areas of sales and engaging in process reforms, thereby endeavoring to increase our corporate value. In addition, our aim is to enhance the collective strengths of all affiliate companies and make the necessary changes to reorganize ourselves into a highly profitable enterprise able to withstand the fluctuations of the business cycle.

Year Ended March 31, 2003

Consolidated

	Millions of Yen				
	2003	2002	2001	2000	1999
ORDERS RECEIVED	¥ 20,001	¥ 20,802	¥ 20,826	¥ 17,776	
NET SALES:					
Commercial printing services	¥ 16,762	¥ 17,052	¥ 17,235	¥ 14,339	
Business forms and vouchers	1,123	1,219	1,359	1,362	
POP display, packaging and other	2,770	2,858	2,567	2,138	
TOTAL	¥ 20,655	¥ 21,129	¥ 21,161	¥ 17,839	
NET INCOME (LOSS)	¥ 128	¥(1,818)	¥ 163	¥ 183	
TOTAL ASSETS	20,291	21,389	23,527	22,948	
TOTAL SHAREHOLDERS' EQUITY	7,570	8,343	10,507	10,396	
COMMON STOCK	2,215	2,215	2,215	2,215	
NET SALES PER EMPLOYEE	¥34	¥35	¥35	¥29	
	Yen				
PER SHARE:					
Net income (loss)	¥ 4.45	¥(75.22)	¥ 6.62	¥ 7.38	
Cash dividends	10.00	10.00	10.00	10.00	
Shareholders' equity	314.97	342.23	428.98	420.14	
NUMBER OF EMPLOYEES	607	603	600	613	

Non-consolidated

	Millions of Yen				
	2003	2002	2001	2000	1999
ORDERS RECEIVED	¥ 20,001	¥ 20,802	¥ 20,826	¥ 17,776	¥ 18,414
NET SALES:					
Commercial printing services	¥ 16,762	¥ 17,052	¥ 17,235	¥ 14,339	¥ 15,234
Business forms and vouchers	1,123	1,219	1,358	1,362	1,788
POP display, packaging and other	2,296	2,476	2,252	1,895	1,817
TOTAL	¥ 20,181	¥ 20,747	¥ 20,845	¥ 17,596	¥ 18,839
NET INCOME (LOSS)	¥ 141	¥(1,869)	¥ 183	¥ 185	¥ (438)
TOTAL ASSETS	19,650	20,697	22,965	22,240	23,415
TOTAL SHAREHOLDERS' EQUITY	7,743	8,503	10,822	10,588	10,694
COMMON STOCK	2,215	2,215	2,215	2,215	2,215
NET SALES PER EMPLOYEE	¥38	¥39	¥39	¥31	¥33
	Yen				
PER SHARE:					
Net income (loss)	¥ 5.00	¥ (77.33)	¥ 7.38	¥ 7.44	¥ (17.53)
Cash dividends	10.00	10.00	10.00	10.00	10.00
Shareholders' equity	322.17	348.78	437.34	427.85	429.85
NUMBER OF SHAREHOLDERS	2,322	2,401	2,481	2,669	2,593
NUMBER OF EMPLOYEES	533	528	539	561	563

Consolidated Balance Sheets

March 31, 2003 and 2002

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
CURRENT ASSETS:	¥ 3,772	¥ 3,187	\$ 31,381
Cash and cash equivalents			
Trade receivables:	528	637	4,390
Notes	3,853	3,682	32,056
Accounts	(12)	(15)	(101)
Allowance for doubtful receivables	591	708	4,918
Inventories (Note 4)	124	139	1,029
Deferred tax assets (Note 8)	221	179	1,844
Other current assets			
Total current assets	9,077	8,517	75,517
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	1,228	1,313	10,218
Buildings and structures	3,764	3,704	31,313
Machinery and equipment	4,466	4,515	37,151
Construction in progress		3	
Total	9,458	9,535	78,682
Accumulated depreciation	(6,218)	(6,095)	(51,731)
Net property, plant and equipment	3,240	3,440	26,951
INVESTMENTS AND OTHER ASSETS:	4,467	5,632	37,160
Investment securities (Notes 3 and 5)			
Investments in unconsolidated subsidiaries and associated companies	477	482	3,970
Insurance premium	651	1,080	5,419
Deferred tax assets (Note 8)	1,761	1,536	14,653
Other assets	677	748	5,630
Allowance for doubtful receivables	(59)	(46)	(489)
Total investments and other assets	7,974	9,432	66,343
TOTAL	¥20,291	¥21,389	\$168,811

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 1,300	¥ 1,955	\$ 10,815
Current portion of long-term debt (Note 5)	1,530	1,689	12,730
Trade payables:			
Notes	1,469	1,470	12,221
Accounts	1,187	1,178	9,874
Notes payable—purchase of property	50	36	419
Income taxes payable	66	44	546
Accrued expenses	615	687	5,121
Other current liabilities	245	210	2,035
Total current liabilities	6,462	7,269	53,761
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	5,538	5,158	46,075
Liability for retirement benefits (Note 6)	721	619	5,993
Total long-term liabilities	6,259	5,777	52,068
SHAREHOLDERS' EQUITY (Notes 7, 11 and 12):			
Common stock—authorized, 79,761,000 shares; issued, 24,745,848 shares in 2003 and 2002	2,215	2,215	18,430
Capital surplus	2,231	2,231	18,561
Retained earnings	3,639	3,774	30,275
Unrealized gain (loss) on available-for-sale securities	(212)	305	(1,763)
Total	7,873	8,525	65,503
Treasury stock—at cost, 774,031 shares in 2003 and 424,805 shares in 2002	(303)	(182)	(2,521)
Total shareholders' equity	7,570	8,343	62,982
TOTAL	¥ 20,291	¥ 21,389	\$168,811

Consolidated Statements of Operations

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
NET SALES	¥ 20,655	¥ 21,129	\$ 171,840
COST OF SALES	16,219	16,546	134,934
Gross profit	4,436	4,583	36,906
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,558	3,538	29,602
Operating income	878	1,045	7,304
OTHER INCOME (EXPENSES):			
Interest and dividend income	58	66	480
Interest expense	(138)	(157)	(1,145)
Loss on devaluation of securities	(405)	(832)	(3,365)
Loss on sales and disposal of property, plant and equipment	(48)	(36)	(403)
Gain on sales of marketable securities and investment in securities		1	
Insurance proceeds	258		2,143
Amortization of transitional obligations for retirement benefits (Note 2.i)	(101)	(101)	(843)
Rent revenues	43	28	357
Retirement expense of employees	(111)		(922)
Impairment loss of land and buildings		(1,593)	
Expense for withdrawal from social security pension fund		(893)	
Charge for retirement allowance for directors and corporate auditors		(540)	
Other—net	(53)	(81)	(437)
Other expenses—net	(497)	(4,138)	(4,135)
INCOME (LOSS) BEFORE INCOME TAXES	381	(3,093)	3,169
INCOME TAXES (Note 8):			
Current	98	60	816
Deferred	155	(1,335)	1,292
Total income taxes	253	(1,275)	2,108
NET INCOME (LOSS)	¥ 128	¥ (1,818)	\$ 1,061
	Yen		U.S. Dollars
	2003	2002	2003
PER SHARE OF COMMON STOCK (Note 2.n):			
Basic net income (loss)	¥ 4.45	¥ (75.22)	\$ 0.04
Cash dividends applicable to the year	10.00	10.00	0.08

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2003 and 2002

	Thousands Issued Number of Shares of Common Stock	Millions of Yen				Unrealized Gain(Loss)on Available- for-sale Securities	Treasury Stock
	Common Stock	Capital Surplus	Retained Earnings				
BALANCE, APRIL 1, 2001	24,746	¥ 2,215	¥ 2,231	¥ 5,856	¥ 309	¥(104)	
Net loss				(1,818)			
Cash dividends, ¥10 per share				(244)			
Bonuses to directors and corporate auditors				(20)			
Increase in treasury stock (175 thousand shares)						(78)	
Net decrease in unrealized gain on available-for-sale securities					(4)		
BALANCE, MARCH 31, 2002	24,746	2,215	2,231	3,774	305	(182)	
Net income				128			
Cash dividends, ¥10 per share				(243)			
Bonuses to directors and corporate auditors				(20)			
Increase in treasury stock (349,226 shares)						(121)	
Net decrease in unrealized gain on available-for-sale securities					(517)		
BALANCE, MARCH 31, 2003	24,746	¥ 2,215	¥ 2,231	¥ 3,639	¥(212)	¥(303)	
		Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain(Loss) on Available- for-sale Securities	Treasury Stock		
BALANCE, MARCH 31, 2002	\$ 18,430	\$ 18,561	\$ 31,398	\$ 2,534	\$ (1,511)		
Net income			1,061				
Cash dividends, \$0.08 per share			(2,018)				
Bonuses to directors and corporate auditors			(166)				
Increase in treasury stock (349,226 shares)						(1,010)	
Net decrease in unrealized gain on available-for-sale securities				(4,297)			
BALANCE, MARCH 31, 2003	\$ 18,430	\$ 18,561	\$ 30,275	\$ (1,763)	\$ (2,521)		

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 381	¥ (3,093)	\$ 3,169
Adjustments for:			
Income taxes—paid	(82)	(96)	(679)
Depreciation and amortization	294	357	2,449
Provision for doubtful receivables	9	(8)	73
Gain on sales of marketable securities and investment in securities		(1)	
Loss on devaluation of securities	405	832	3,365
Bonus to directors	(20)	(20)	(166)
Increase in liability for retirement benefits	102	606	845
Loss on sales and disposal of property, plant and equipment	13	36	112
Insurance proceeds	(258)		(2,143)
Impairment loss of land and buildings		1,593	
Changes in assets and liabilities, net of merger effects:			
(Increase) decrease in trade notes and accounts receivable	(61)	326	(510)
Decrease in inventories	116	228	968
Increase (decrease) in trade notes and accounts payable	8	(715)	64
(Decrease) increase in accrued expense	(71)	75	(593)
Other—net	55	162	458
Total adjustments	510	3,375	4,243
Net cash provided by operating activities	891	282	7,412
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	77	34	639
Purchases of property, plant and equipment	(148)	(272)	(1,228)
Proceeds from sales of securities		172	
Purchases of securities	(115)	(72)	(959)
Purchases of securities	819	238	6,817
Proceeds from decrease of other investments	(123)	(98)	(1,026)
Payments for increase of other investments	(19)	8	(159)
Other—net			
Net cash provided by investing activities	491	10	4,084
FORWARD	¥ 1,382	¥ 292	\$ 11,496

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
FORWARD	¥ 1,382	¥ 292	\$ 11,496
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(655)	(385)	(5,449)
Proceeds from long-term debt	2,030	2,917	16,888
Repayments of long-term debt	(1,809)	(2,458)	(15,049)
Dividends paid	(243)	(244)	(2,021)
Purchases of treasury stock	(121)	(78)	(1,010)
Other—net		(18)	
Net cash used in financing activities	(798)	(266)	(6,641)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1		11
NET INCREASE IN CASH AND CASH EQUIVALENTS	585	26	4,866
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,187	3,161	26,515
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,772	¥ 3,187	\$ 31,381

See notes to consolidated financial statements.

Years Ended March 31, 2003 and 2002

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2002 financial statements to conform to the classifications used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Miura Printing Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to \$1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. *Consolidation*—The consolidated financial statements as of March 31, 2003 and 2002 include the accounts of the Company and its two significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in one (one in 2002) unconsolidated subsidiary and one (two in 2002) associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. *Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, commercial paper, MMF denominated in foreign currency and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

- c. *Inventories*—Raw materials and supplies are stated at cost using the last invoice price method. Finished goods and work in process are stated at cost as determined by the specific identification method.

- d. *Marketable and Investment Securities*—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) 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 (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gain and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

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

- e. *Allowance for Doubtful Accounts*—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- f. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is from 30 to 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

g. *Other Assets*—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years for intangible assets.

h. *Bond Issue Costs*—Bond issue costs are charged to income as incurred.

i. *Employees' Retirement Benefits*—The Company and its consolidated subsidiaries have funded pension plans covering substantially all of employees. Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥507 million (\$4,214 thousand) is being amortized over 5 years and the annual amortization is presented as other expense in the consolidated statement of operations.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

j. *Leases*—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

k. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

l. *Appropriations of Retained Earnings*—Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

m. *Derivative Financial Instruments*—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Long-term debt denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liability or asset.

n. *Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because it is anti-dilutive for the years ended March 31, 2003 and 2002.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Non-current:			
Equity securities	¥4,405	¥5,609	\$36,648
Other	62	23	512
Total	<u>¥4,467</u>	<u>¥5,632</u>	<u>\$37,160</u>

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2003</u>				
Securities classified as available-for-sale:				
Equity securities	¥4,575	¥390	¥729	¥4,236
Other	79		17	62
<u>March 31, 2002</u>				
Securities classified as available-for-sale:				
Equity securities	4,943	745	220	5,468
Other	23			23
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2003</u>				
Securities classified as available-for-sale:				
Equity securities	\$38,059	\$3,243	\$6,063	\$35,239
Other	655		143	512

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale—Equity securities	¥169	¥140	\$1,410

Proceeds from sales of available-for-sale securities for the year ended March 31, 2002 were ¥174 million. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥4 million and ¥3 million, respectively, for the year ended March 31, 2002.

4. INVENTORIES

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Merchandise		¥1	
Finished products	¥165	112	\$1,371
Work in process	358	521	2,979
Raw materials and supplies	68	74	568
Total	¥591	¥708	\$4,918

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding at March 31, 2003 and 2002 were represented principally by 365-day notes issued by the Company, bearing interest primarily at an annual rate of 1.375%.

Customarily, these notes are renewed at maturity subject to renegotiation of interest rates and other factors.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Loans from banks and insurance companies due through 2009 with interest rates ranging from 0.84% to 1.73%	¥2,930	¥1,709	\$24,379
1.90% secured bonds due April 2002		1,500	
1.70% secured bonds due September 2003	500	500	4,160
2.40% secured bonds due February 2005	1,200	1,200	9,983
2.55% secured bonds due July 2006	200	200	1,664
Floating rate U.S. dollar bonds due December 2006	1,238	1,238	10,300
0.83% secured bonds due April 2007	400		3,328
1.33% secured bonds due April 2007	100		832
1.93% secured bonds due February 2008	500	500	4,159
Total	7,068	6,847	58,805
Less current portion	(1,530)	(1,689)	(12,730)
Long-term debt, less current portion	¥5,538	¥5,158	\$46,075

Floating rate bonds are debt of which interest rates are repriced in accordance with the movement of LIBOR (London Interbank Offered Rate) market indices.

The aggregate annual maturities of long-term debt outstanding at March 31, 2003 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥1,530	\$12,730
2005	1,535	12,771
2006	324	2,696
2007	1,685	14,021
2008 and thereafter	1,994	16,587
Total	¥7,068	\$58,805

The Company's assets pledged as collateral for long-term debt of ¥3,178 million (\$26,439 thousand) and current portion of long-term debt of ¥520 million (\$4,326 thousand) at March 31, 2003 were summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment, net of accumulated depreciation	¥2,078	\$17,289
Investment securities	1,329	11,053
Total	¥3,407	\$28,342

6. RETIREMENT AND PENSION PLANS

The Group has severance payment plans for employees. The Company has severance payment plans for directors and corporate auditors.

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. The liabilities for retirement benefits at March 31, 2003 and 2002 for directors and corporate auditors were ¥582 million (\$4,841 thousand) and ¥562 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability (asset) for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥3,081	¥3,013	\$25,628
Fair value of plan assets	(1,982)	(2,063)	(16,489)
Unrecognized actuarial loss	(757)	(589)	(6,301)
Unrecognized transitional obligation	(203)	(304)	(1,686)
Net liability	<u>¥139</u>	<u>¥57</u>	<u>\$1,152</u>

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥199	¥178	\$1,655
Interest cost	75	97	627
Expected return on plan assets	(51)	(64)	(429)
Recognized actuarial loss	47	16	388
Amortization of transitional obligation	101	101	843
Net periodic benefit costs	<u>¥371</u>	<u>¥328</u>	<u>\$3,084</u>

Assumptions used for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	3.0%
Recognition period of actuarial loss	13 years	13 years
Amortization period of transitional obligation	5 years	5 years

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from 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 shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' 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 shareholders. 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 shareholders at the general shareholders 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 shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥4,974 million (\$41,378 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general book 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 shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

8. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2003 and 2002.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Depreciation	¥106	¥121	\$879
Revaluation loss on other asset	659	539	5,478
Tax loss carryforwards		37	
Impairment loss	335	609	2,791
Charge for retirement allowance for directors and corporate auditors	238	236	1,982
Revaluation of available-for-sale securities	144		1,200
Other	451	405	3,751
Total	<u>1,933</u>	<u>1,947</u>	<u>16,081</u>
Deferred tax liabilities:			
Deferred profits on property for income tax purpose	48	51	399
Revaluation of available-for-sale securities		220	
Total	<u>48</u>	<u>271</u>	<u>399</u>
Net deferred tax assets	<u>¥1,885</u>	<u>¥1,676</u>	<u>\$15,682</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2003 is as follows:

	2003
Normal effective statutory tax rate	42.0%
Expenses not deductible for income tax purposes	6.2
Income not taxable for income tax purpose	(1.4)
Per capita portion of inhabitant tax	2.2
Effect of tax rate reduction	12.5
Other—net	5.0
Actual effective tax rate	<u>66.5%</u>

The actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2002 approximated the normal effective statutory tax rate.

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 40.5%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets—non-current by ¥53 million, increase income taxes—deferred by ¥48 million and increase unrealized gain on available-for-sale securities by ¥5 million in the consolidated financial statements for the year ended March 31, 2003.

9. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Lease payments under finance lease totaled ¥327 million (\$2,717 thousand) and ¥277 million for the years ended March 31, 2003 and 2002, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

	Machinery and Equipment		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Acquisition cost	¥1,827	¥1,835	\$15,200
Accumulated depreciation	817	707	6,797
Net leased property	<u>¥1,010</u>	<u>¥1,127</u>	<u>\$8,403</u>
Obligations under finance leases:			
	Millions of Yen		U.S. Dollars
	2003	2002	2003
Due within one year	¥249	¥259	\$2,070
Due after one year	838	938	6,970
Total	<u>¥1,087</u>	<u>¥1,197</u>	<u>\$9,040</u>

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥282	¥235	\$2,346
Interest expense	53	45	441
Total	<u>¥335</u>	<u>¥280</u>	<u>\$2,787</u>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

10.DERIVATIVES

The Company enters into currency swap agreements to hedge market risk from the changes in foreign exchange rates associated with certain liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities. The Company does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The basic policies for the use of derivatives are approved by the Board of Directors and the execution and control of derivatives are controlled by the Accounting Department.

11.STOCK OPTION PLAN

At the general shareholders meeting of the Company held on June 28, 2001 and June 29, 2000, the Company's shareholders approved the following stock option plan for the Company's directors and key employees.

The plan provides for granting options to 25 employees to purchase up to 168 thousand shares of the Company's common stock in the period from July 1, 2003 to June 30, 2006, at an exercise price of ¥474 per share. The plan also provides for granting options to 4 directors and 21 employees to purchase up to 70 thousand shares and 180 thousand shares of the Company's common stock, respectively, in the period from July 1, 2002 to June 30, 2005, at an exercise price of ¥428 per share. The Company plans to use acquired treasury stock upon exercise of the stock options.

12.SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2003 were approved at the general shareholders meeting of the Company held on June 27, 2003:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥5.00 (\$0.04) per share	¥120	\$997
Bonuses to directors	20	166

b. Purchase of Treasury Stock

The Company is authorized to repurchase up to 1 million shares of the Company's common stock (aggregate amount of ¥500 million).

13.SEGMENT INFORMATION

(1) Industry Segments

Industry segment information is not shown since substantially all consolidated net sales and operating income for 2003 and 2002 and identifiable assets for 2003 and 2002 resulted from the primary business of the Group, which is printing services.

(2) Geographical Segments

Since there are no branches of the Company nor consolidated subsidiaries located in countries or areas other than Japan, such information is not required to be disclosed.

(3) Sales to Foreign Customers

Since there are no sales to foreign customers of the Company and consolidated subsidiaries, such information is not to be disclosed.

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**Deloitte
Touche
Tohmatsu**

To the Board of Directors and Shareholders of
Miura Printing Corporation:

We have audited the accompanying consolidated balance sheets of Miura Printing Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. 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, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 consolidated financial position of Miura Printing Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices 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 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2003

Board of Directors and Corporate Auditors

President
Hisashi Miura

Senior Managing Directors
Takeji Miura
Atsunori Shimomura

Managing Director
Kazuo Kitaoka

Directors
Shinichi Sugiura
Kouichi Matsumoto
Seiji Mitsuishi

Corporate Auditors
Masaji Yamaguchi
Kazuhira Chikahara
Kyogo Toshimori
Shigeru Node

Corporate Data

Date of Foundation
September, 1931

Date of Incorporation
November, 1950

Paid-in Capital
¥2,215Million

Authorized Shares
79,761,000shares

Outstanding Shares
24,745,848shares

**Number of Shareholders
(As of March 31,2002)**
2,322

Corporate Directory

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**Multi-media Center
System Center
Miura Planning Center
Shiohama Logistic Center**

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