

A Market Research Report on the Korean Publishing and Printing Industries

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I. Domestic Publishing Industry

1. Market Condition

(1) Latest Market Trend

Domestic publishing market consists of the consumer books sector (including hardback and paperback fictions and non-fictions) and the academic & professional books sector. Since it is possible to participate with small capital and the size of capital has no correlation with the quality of books, many small & medium-sized enterprises and sole proprietors participate in consumer books market. The academic & professional books sector, which is buttressed by popular enthusiasm for education, has contributed to the external growth of the publishing industry and is expected to create a new industrial field through combining education and publishing.

(2) Distribution System

The domestic publishing industry's distribution channels consist of "door-to-door sales" and sales through retail bookstores. Large publishing companies usually use the "door-to-door sales" approach for their distribution. In this case, both superb contents and excellent human resources, accompanying such parameters as organizational control, are required since this approach involves more of educational aspects with personal educational services. Distribution through retail bookstores, which aims for consumer's choice, focuses on sale of books and magazines.

In case of retail stores, the fixed price system was introduced as a result of publishing & printing promotion since 2003 but this system has not had a great impact on increase in sales. Especially, small bookstores are experiencing a financial difficulty due to the increased number of medium and big size bookstores, competition with internet bookselling and their poor distribution system.

(3) Size of the Publishing Market

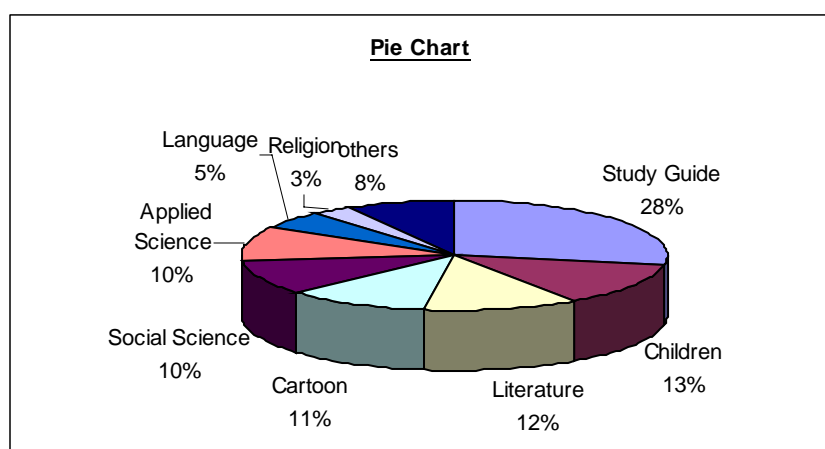
It is challenging to determine the market size of the publishing industry since publishing companies usually do not open their information to the public. The size of the publishing industry is currently estimated by the formula "circulation x average unit cost x 2" based on the data provided by the Korean Publishers Association. The reason for using this formula is that the ratio between additional editions, of which specimen copy is not submitted to the Korean Publishers Association, and the new edition, of which specimen copy is submitted to the Korean Publishers Association, is assumed to be 1:1. The specimen copy of study

supplements and periodical publications, however, are not submitted to the Korean Publishers Association, so that market for study supplements and periodical publications is excluded from calculating estimated market value.

The number of specimen copies of new publications presented to the Korean Publishers Association is 111,450,224 (comprising 35,371 different kinds of books) and the market size for the publishing industry estimated by the Korean Publishers Association is 2.3 trillion won, which is ranked 7th place in the world. The market for study supplements and periodical publications, which are not included in the calculation, are estimated to be 4 trillion won and 800 billion won, respectively.

<Table> The Market Size of Publishing Industry

Classification	Kinds of books	Number of copies published (thousand)	Price (KRW)	Estimated market price (million KRW)
Study Guide	1,931	20,777	15,699	652,357
Children	5,219	15,775	9,293	293,191
Literature	5,586	14,664	9,282	272,228
Cartoon	9,081	33,359	3,860	257,534
Social Science	4,125	6,498	18,211	236,666
Applied Science	3,330	6,274	18,411	231,020
Language	1,512	4,371	14,152	123,717
Religion	1,240	3,331	10,631	70,832
Art	1,205	2,248	14,870	66,853
History	915	1,898	16,408	62,301
Philosophy	609	1,218	14,710	35,825
Science	466	783	16,702	26,148
Others	152	254	11,734	5,952
Total	35,371	111,450	10,975	2,334,623



Source: The Korean Publishers Association

The publishing market experienced rapid growth until 1997 but the annual growth rate started to decline quickly after 1998, when the foreign exchange crisis occurred. From 1999 to 2002 the annual growth rate continued to rise as the economy returned to prosperity but the variance from 2002 to 2003 contracted by 13% as the economy recently turned into a recession.

<Table > Estimated Market Size for the Last Ten Years

Classification	Number of copies published (thousand)	Price	Estimated market size (billion KRW)
1993	139,222	7,591	2,114
1994	152,326	8,185	2,478
1995	144,184	9,507	2,742
1996	158,137	10,332	3,268
1997	212,313	9,607	4,079
1998	190,536	9,910	3,776
1999	112,506	9,601	2,160
2000	112,945	10,268	2,319
2001	117,172	10,351	2,426
2002	117,498	11,948	2,808
2003	111,450	10,975	2,446

Source: The Korean Publishers Association

2. Current Status of Domestic and International Corporations in Korean Market

(1) Domestic Corporations

The number of domestic publishing companies registered with the Ministry of Culture & Tourism (MCT) was 19,135 in 2002. The number of publishing companies increased rapidly every year during the last decade. As a result, the number of companies almost tripled compared to the year 1992 when 7,381 publishing companies existed.

<Table> Number of Publishing Companies Registered with MCT

Classification	1992	1994	1996	1998	2000	2002
Number of publishing companies	7,381	10,325	12,458	13,822	16,059	19,135

Source: The Ministry of Culture & Tourism

It appears that a polarization of publishing market-related companies is worsening. Among the publishing companies registered with the Ministry of Culture & Tourism, approximately 92% (17,646 companies) of them did not issue new publication, in 2002. In addition, 45% of the companies that published new books issued fewer than or equal to 5 books in 2003. Those companies that published fewer than or equal to 5 books appear to have lower rate in terms of number of publications and copies thereof (Total kinds of new books: 4.5%; Number of copies: 2.8%), whereas top 24 publishing companies appear to have relatively high such rate (Total kinds of new books: 31%; Number of copies: 45%).

The domestic publishing market is characterized as oligopoly since only 30 publishing companies share 70% of the market.

<Table> Data of New Publications

Varieties of new books	Number of publishing companies	Total varieties of new books	Number of copies published
1	253	253	561,248
2	152	304	570,921
3	114	342	657,100
4	83	332	622,626
5	77	385	762,601
6~10	274	2,138	4,769,120
11~15	124	1,597	3,151,003
16~20	101	1,807	4,045,440
21~30	110	2,751	6,503,688
31~40	55	1,931	3,765,870
41~50	43	1,974	4,521,019
51~100	79	5,657	14,876,542
101~150	24	2,983	7,764,198
151~200	11	1,913	6,499,313
201~500	18	5,416	24,717,635
501~1000	3	2,077	10,006,300
More than 1000	3	3,511	17,655,600
Total	1,524	35,371	111,450,224

Source: The Korean Publishers Association

Domestic publishing companies are classified according to their objectives – publishing study supplements for door-to door sale versus publishing complete collection and books. The major publishing companies are listed in the following page:

<Table>Major Domestic Corporations in Study Supplements Publishing Segment (As of 2003)

(Million KRW)

Name	Total Assets	Total Capital	Revenue	Net Income
Daekyo Co., Ltd.	516,867	301,564	805,388	60,980
Kongmun Educational Publishing Corp.	301,937	193,905	390,714	41,320
Woongjin.Com Co., Ltd.	293,676	185,198	461,502	14,491
Jaeneung Education Institute	221,764	128,306	293,411	6,324
Hansol Gyoyook Co., Ltd.	93,194	47,123	273,535	2,063
Case Co., Ltd.	10,498	1,231	36,760	711
Urikyoyuk Co., Ltd.	2,299	1,278	4,051	354

**<Table > Major Domestic Corporations in Publishing Industry,
Except Study Supplements Segment (As of 2003)**

(Million KRW)

Name	Total Assets	Total Capital	Revenue	Net Income
Daehan Printing & Publishing Co., Ltd.	144,757	70,205	160,212	17,047
Ybmsisa.Com	132,192	76,481	90,422	19,917
Kyohaksa	91,252	30,105	66,591	2,097
Kumsung Publishing Co., Ltd.	75,577	28,129	89,718	7,830
Jihak Publishing Co., Ltd.	46,029	16,758	32,486	1,478
Samseong Publishing Co., Ltd.	45,362	37,504	50,631	4,594
Youngjin.Com, Inc.	37,091	24,774	30,528	-9,182
Joongang Multimedia, Magazines & Books	36,570	5,214	60,471	-2,236
Daiwon Culture Industry, Inc.	26,889	17,238	37,281	1,645
Neungyule Education, Inc.	22,630	14,481	20,733	3,260
Sigongsa Co., Ltd.	21,718	4,252	31,496	96
Sam Seong Cang Quqlshng Co., Ltd.	17,225	6,345	3,891	91
Gimm-Young Publishers, Inc	16,960	9,454	23,674	2,479
Nexus Press Ltd.	15,079	6,622	21,695	2,815
Daesung E.P. Co., Ltd.	12,138	7,128	6,650	990
Hwanggeumgaji	10,822	9,026	5,306	924
Design House, Inc.	10,559	6,136	21,167	759
Changbi Publishers, Inc.	10,516	6,927	11,016	796
Minumsa	10,415	6,695	8,505	525
Itempool Co., Ltd.	9,523	2,626	21,396	393

Source: The Financial Supervisory Service

The market for periodical publications (except daily newspapers) has experienced continuous growth for the last few years. According to the data provided by the Ministry of Culture & Tourism, the number of periodical publications put out in 2000, 2001, and 2002 was 6,314, 6,759 and 7,002, respectively. Currently, most of periodical publications are published by newspaper companies. The list of periodical publications of major newspaper companies is as follows:

<Table > Periodical Publications of Major Newspaper Companies (As of 2002)

Name	Periodical Publications
Chosun Ilbo Co., Ltd.	Weekly Chosun, Mountain, Fishing, Woman Chosun, Monthly Chosun, etc.
Dong-A Ilbo	Weekly Dong-A, New Dong-A, Woman Dong- A, Science Dong-A, etc.
Joongang Ilbo	Newsweek (Korean version), Economist, Monthly Joongang, CeCi, KiKi, etc.
Hankook Ilbo	Weekly Hankook, The Seoul Economic Golf Magazine etc.
Kyung Hyang Shin Mun	News Maker and Lady KyungHyang
The Kukmin Daily	Cable TV Guide, Elle(Korean version), Premiere, etc.
Han Kyoreh News	Han Kyoreh 21, Cine 21, Economy 21, etc.
Maeil Business Newspaper Co., Ltd.	Maekyung Economy, City Life, etc.

Source: The Korea Magazine Association

Note: Included periodical publications from affiliates of newspaper companies.

The list of the major corporations (except newspaper companies) in the periodical publications publishing sector is as follows:

**<Table > Major Domestic Corporations in Periodical Publications Publishing Sector
(As of 2003)**

(Million KRW)				
Name	Total Assets	Total Capital	Revenue	Net Income
Joongang Multimedia, Magazines & Books	36,570	5,214	60,471	-2,236
Seoul Cultural Publishers, Inc.	35,654	10,035	56,292	511
Woongjin.Com Co., Ltd.	293,676	185,198	461,502	14,491
Kaya Media Corporation	5,604	1,812	12,405	103

Source: The Financial Supervisory Service

(2) International Corporations in the Domestic Market

There are very few foreign companies that launched into Korean publishing market so far. The list of foreign companies that have invested in domestic market is as follows:

Investor	Company	Type of investment	Business field	Establishment date
Bertelsmann	Bertelsmann Korea	Corporation	Publishing, Distribution (Book club)	1998.6
BRIH (Bruda RCS International Holding GmbH)	Design House, Inc.	Capital injection	Publishing, Distribution	1976.6
Random House	Random House Joongang	Joint venture	Publishing	2003.3
Hachette Filipacchi Press S.A.	Hachette Nextmedia	Joint venture	Publishing (Periodical Publications)	2000.11

Note: Random House Co. Ltd. is an affiliate of Bertelsmann.

BRIH increased capital of Design House (to one billion won) in October, 2000.

(Ratio of its shareholding is 49.9%)

3. Market Competition and Risk Factors

(1) Possibility of new publishing medium

Domestic Internet publishing market is at the beginning stage but competition in price will be generated in the long run since many companies in the publishing industry are about to go into the Internet publishing business. With the development of information technology, the medium of publication is transforming into a combination of CD-ROM and the Internet with other industrial areas, as well as printing. This suggests that publishing market has a potential to convert into a new type of market.

(2) High Rate of Returned Goods

Publishing companies are experiencing financial distress due to the high rate (30~40%) of returned goods. The fact that handling costs of returned goods is 2.5~3 times the delivery costs worsens the companies' financial situation. The main reasons for having high rate of

returned goods are consignment sales, overproduction of books, absence of a demand forecasting system, and an inadequate understanding about inventory control. To resolve this problem, a centralized supply system should be introduced, and a system that will enable market analysis and demand forecast should be launched.

(3) High Level of Reliance on Translation

Except for study supplements, roughly one third of the new publications comprise translations. In case of translated versions, publishing companies are required to pay high license fees so that they earn relatively low profits.

(4) Fluctuations in Price of Raw Material

Price of published books depends largely on the trend of world's pulp production since paper is mostly imported from other countries. Price of pulp was stable for the last few years and the demand and supply of raw material went on smoothly but the price of pulp has been tending upward recently.

(5) Effect of Business Fluctuation

Usually, the publishing industry is known to be inelastic to the market situation. However, it is now experiencing a 12.9% decrease in sales due to the prolonged worldwide recession. Therefore, the market condition of the publishing industry is variable depending on the world's business fluctuation.

4. Prospects of the Future Market

(1) Government Policies on the Publishing Market

The Ministry of Culture and Tourism announced "A Comprehensive Proposal for the Development of the Printing and Publishing Industries" in May 2004. According to the scheme for the three major objects—namely, realizing a top-five leading nation in the area of publishing and printing, establishing a central market in the Far East Asia, and fostering the e-publishing industry—the government will invest a total amount of 658 billion KRW, including 135 billion KRW from the National Treasury, in the publishing and printing market. The government's major policies for the publishing industry are as follows:

- The government is to expand the size of the reserve for development of the publishing industry up to 30 billion KRW by the year of 2008. The development of diverse financing systems and the phased-in abatement of interest rates are anticipated.
- The government is to support the construction of an automated distribution center that processes storage, sale, delivery and information of publications all together. (Total cost: 55 billion KRW)
- The government is to operate an improved system for publishing good books, and expand support for the system from the National Treasury up to 5 billion KRW after the year of 2004.
- The government is to provide the industry with an improved taxation system and financial aids for the modernization of facilities. (Exemption on value added tax and low interest rates on credit cards are offered.)
- The government is to operate a publishing academy to re-educate existing personnel and to train professionals in the field.
- The government is to support operations to improve the distribution structure between nationwide bookstores and publishers with 10 billion KRW by the year of 2007 and incorporation of entities for the modernization of the distribution system with 3 billion KRW in aids.

(2) Estimated Market Size and Future Expectations

The estimated size of the future publishing market based on weighted-averaged growth rate of the last four years, which was 1.2%, is as follows:

<Table> The Estimated Market Size

(Billion KRW)				
Year	2004F	2005F	2006F	2007F
Estimated revenue	24,764	25,068	25,376	25,688

The estimated growth rate was determined to be low, inasmuch as there was a continuous market expansion from 2000 to 2002 but a negative growth in 2003. The prospects of the publishing industry will be determined depending on the economic situations and market reorganization plans

II. Domestic Printing Industry

1. Market Condition

(1) Latest Market Trend

Although the domestic printing industry experienced a negative growth immediately after the foreign exchange crisis, it has recently shown that the market is accomplishing a high growth exceeding the GDP growth rate and the manufacturing market growth rate since the nation's economy has successfully made a recovery to its status prior to the economy liquidity crisis. However, the growth rate of the printing market appears somewhat decreasing as the current recession has unexpectedly been prolonged to the present time.

It appears that a polarization in the market-related companies has become worse, even though the growth of the overall domestic printing industry is expected to continue steadily. Despite the fact that the overall market product growth rate as compared to the GDP growth rate, the growth rate per capita, and the growth rate per company had shown strong performance prior to the foreign exchange crisis, only the overall market product growth has maintained an appropriate and desirable level after the crisis; the growth rate per capita and that per company appear to have slowed down. Such phenomenon implies that the overall printing industry is growing based on the increase in the demand for commercial printed matter, while competition among business units within the industry is deepening with a flux of new companies into the market (the above analysis is by the Korea Printing Research Institute).

The size of the domestic printing industry as estimated by the Korea Printing Research Institute is as follows:

<Table> Transition of the Domestic Printing Industry

(Billion KRW)

Year	1999	2000	2001	2002	2003
Annual Revenue	3,463	4,190	4,621	5,361	5,522

Source: The Korea Printing Research Institute

<Table> Transition of Printing Industry Growth Rates

Year	1997	1998	1999	2000	2001	2002
GDP Growth Rate	5.0%	-6.7%	10.9%	9.3%	3.1%	6.3%
Manufacturing Growth Rate	6.6%	-7.4%	21.0%	15.9%	2.1%	8.6%
Printing Growth Rate	5.2%	-18.7%	21.1%	21.0%	10.3%	16.0%

Source: The Korea National Statistical Office

Note: Only companies with five or more employees were surveyed.

(2) Structure of the Domestic Printing Market

The domestic printing market can be classified into two general categories: printing services and printing-related segment. Printing services provide customers in need of publishing or printing with various engraving technologies, and the printing-related segment deals with producing negative plates for printing, operating bookbinding facilities and treating printed copies (classification by the Korea National Statistical Office). The structure of the whole industry can be illustrated as follows:

<Table> The Structure of the Printing Industry

Classification	2001		2002	
	Product (Million KRW)	Ratio	Product (Million KRW)	Ratio
Light Printing	385,751	11.5%	434,808	11.2%
Screen Printing	292,740	8.8%	348,339	9.0%
Other Printing	1,838,999	55.0%	2,148,909	55.4%
Engraving and Typesetting	287,387	8.6%	328,761	8.5%
Bookbinding	358,258	10.7%	437,658	11.3%
Other related	179,939	5.4%	178,957	4.6%
Total	3,343,074	100.0%	3,877,432	100.0%

Source: The Korea National Statistical Office

Note: Other related consists of gold plating, embossing, edge trimming, and cutting.

(3) Exports by the Domestic Printing Industry

Exports achieved by the domestic printing industry appears to account for only 3 to 5 percent of the total market revenue, since the industry is concentrated into the domestic market rather than international demands. Value-added generated by the printing industry seems to keep decreasing because of intense competition in a market with limited size. Furthermore, it is expected that enlarging exports to the U.S. and Japan, which account for 70% of total exports, would face difficulties as the domestic products' competitive power in terms of price has been reduced because of Chinese products. As of the year 2002, the market shares of Korean exports appear to be 2.4% in each of the U.S. and Japanese imports markets.

<Table> Exports of Printed Materials

Year	(Thousand USD)			
	1998	1998	2001	2002
Total Exports	86,687	85,247	139,196	115,082
To the United States	50,477	44,946	61,546	70,339
To Japan	9,467	6,992	12,341	15,354

Source: The Korea Customs Service

2. Current Status of Domestic and International Corporations in Korean Market

(1) Current Aspects of Domestic Corporations

It appears that the relative importance of companies with less than four employees has increased, while the significance of companies with five or more employees has decreased in the domestic printing market from 1994 to 2001. According to several analyses, it would appear that companies lacking appropriate financial structure and comparative advantages ended up being either merged into others through structural adjustments or going bankrupt during the crisis in 1997. Particularly, the ratio of the companies with less than four employees to the total domestic market increased from 77.5% to 82.6% during the year of 1998 after the crisis occurred. This seems to have occurred as chances to establish small-scale printing business were given to employees who were laid off through structural adjustments.

On the other hand, the ratio of corporations with more than 50 employees to the total in the market had had a tendency to decrease until the year 2000 but has remained on the same level after then. It would be because structural adjustments have been made in corporations that lost competitive power due to their deteriorated profitability and whose debt ratios increased amidst the foreign exchange crisis (based on the third report by the KPRI).

Only 6% of the entities in the market are corporations, while the others are proprietorships.

<Table> The Distribution of Companies Based On Number of Employees

Size (Number of Employees)	1996		1998		2000		2001	
	Number of Entities.	Ratio	Number of Entities.	Ratio	Number of Entities.	Ratio	Number of Entities.	Ratio
1 ~ 4	13,581	80.3%	13,626	82.6%	13,798	80.3%	14,908	82.0%
5 ~ 19	2,868	17.0%	2,556	15.5%	2,996	17.4%	2,857	15.7%
20 ~ 49	372	2.2%	262	1.6%	332	1.9%	352	1.9%
50 ~ 99	61	0.4%	39	0.2%	45	0.3%	58	0.3%
100 ~ 299	27	0.1%	19	0.1%	20	0.1%	20	0.1%
Total	16,909	100.0%	16,502	100.0%	17,191	100.0%	18,195	100.0%

Source: The Korea National Statistical Office

The following is a list of major corporations in the printing industry with total assets of 7 billion KRW or more which are, thus, required to be audited by external auditors under the law.

<Table> Major Domestic Corporations in the Printing Industry (As of 2003)

(Million KRW)

Company	Total Assets	Total Capital	Revenue	Net Income
Sam Hwa Printing Co.	83,744	52,355	47,618	2,998
Jeongmoon Information Co., Ltd.	77,962	33,358	98,579	-4,961
ICKorea Co., Ltd.	71,707	62,786	40,638	12,281
IPAK Co., Ltd.	53,111	28,072	35,662	3,041
Sun Young Chemical Co., Ltd.	45,721	6,760	22,913	1,267
Maekyung Printing Corporation	43,601	5,772	7,962	-3,108
Jaeneung Printing Co., Ltd.	37,860	32,720	23,400	6,010
Tara Graphics Co., Ltd.	35,950	16,407	29,715	2,517
Jaeyong Commercial Co., Ltd.	34,960	22,041	36,601	5,221
Won Ji Industrial Co., Ltd.	33,846	20,786	30,223	8
Daesung Metal Printing Ltd.	33,658	19,844	25,660	945
Chokwang Publishing & Printing Co., Ltd.	28,103	9,670	22,639	487
Daewon Printing Co., Ltd.	27,648	25,973	29,217	4,355
Sewon Jeongmil Co., Ltd.	23,235	7,971	39,851	4,456
Hankook Munwoon Co., Ltd.	23,036	6,166	9,343	617
Senan Package & Technology Co., Ltd.	21,832	16,668	5,923	-1,366
Pochinchai Co., Ltd.	21,628	15,020	8,378	-1,740
Taeshin Printing Co., Ltd.	20,354	9,788	45,228	2,541
Jung Do Chemical Co., Ltd.	18,604	6,128	25,671	1,780
Bando Printech Co., Ltd.	18,232	6,504	4,685	9,874
Myung Ji Co., Ltd.	18,038	12,180	14,215	1,846
Shinsung Enterprise Co., Ltd.	17,546	17,546	22,292	1,402
Sun Yang Co., Ltd.	17,154	13,244	17,759	1,856
Tae Yang Dang Printing Co., Ltd.	15,524	2,823	20,785	592
Yung Duk Industrial Co., Ltd.	15,111	5,273	7,669	-144
Darani	14,924	-1,640	8,814	-3,314
Woori Co., Ltd.	14,761	10,845	26,299	1,465
Etoos Group, Inc.	14,323	4,804	15,176	1,774
Yeon Am	13,805	2,537	21,692	697
Dong Kwang Printing Co., Ltd.	11,705	1,692	11,184	298
Kochiam International, Inc.	11,632	4,992	9,947	105
Yon Art Printing	11,499	3,432	9,635	330
Samsung Printing Co., Ltd.	10,757	5,043	8,267	-701

<Table> Major Domestic Corporations in the Printing Industry (As of 2003) - continued

(Million KRW)

Name	Total Assets	Total Capital	Revenue	Net Income
Bosung Industry Co., Ltd.	10,336	2,667	13,407	366
Jaeil Special Decal Co., Ltd.	10,050	2,636	10	-208
Hyundai printing Co., Ltd.	9,868	2,375	5,459	67
Shin Woo Printing	9,779	1,150	9,381	763
Gomundang Printing Inc.	9,627	2,345	12,101	937
Dae Kyung Pack Co., Ltd.	8,732	2,005	8,661	3
Kukmin P & Tech Co., Ltd.	8,665	364	8,035	-1,103
Samlip Printing Co., Ltd.	8,584	3,147	5,973	62
Woo Haeng Co., Ltd.	8,309	6,462	7,886	2,824
Duprint co.Ltd	8,121	1,125	6,269	-708
Daewon Industrial Co., Ltd.	7,810	3,210	11,787	181
Mi Sung Printing Co., Ltd.	7,375	2,345	8,010	12
Korea Gravure Co., Ltd.	7,341	6,334	5,367	145
Woo Nam Newspaper Printing Co., Ltd.	7,008	-1,971	1,727	1,904
PAC.COM Korea, Inc.	6,680	1,674	12,462	421

Source: The Financial Supervisory Service

Note 1: Daehan Printing & Publishing Co., Ltd. and Kyohaksa Co. are presented in the list of publishers above despite their significant revenue from printing business.

Note 2 : KDmedia Co., Ltd. is excluded from the list as the company's business is limited to printing securities.

(2) Current Aspects of International Corporations in the Domestic Market

It is known that there are only few international corporations that have launched into the domestic printing market. However, Heidelberg Korea, Agfa Korea, and CreoKorea have started business in the domestic printing machinery market, in which 95% of products are imported from Japan and Germany. The list of the companies that are invested by international corporations in the domestic market is as follows:

Company	Business field	Establishment	Total asset	Remarks
EEC Korea	Learning materials Publishing, and Printing	1994.6	71,707Million KRW	EEC International Co. holds 21% of total shares.

3. Market Competition and Risk Factors

(1) Requisites for Success in Competitive Environment

Due to the characteristics of the printing industry, printing companies must satisfy the customer's order specified in terms of the format, size or quantity of the printed matter. In such business environment, an entity's comparative advantage over others is determined by how appropriately the entity adapts itself to new technologies so as to produce the desired clarity and color and on the basis of timeliness.

(2) Decrease in Value-added per Company

Value-added per company in the domestic printing industry has recently decreased, as a result of the inflow of minor companies in the market causing intense competition. It is expected, moreover, that the continued increase in the number of companies would lead the market to even fierce price competition. Each company should cope with such difficulties of the market by pursuing a shift from a labor-intensive structure to a technology-intensive structure through the modernization of the printing equipment.

(3) Unstable Supply and Demand of Labor

The instability in labor supply and demand is one of the more significant difficulties that obstruct the growth of the domestic printing industry. The printing industry is currently suffering from a labor shortage, which causes inability to satisfy the production demand. According to the information provided by the Korea Printing Research Institute, around 50% of college graduates with a major in printing-related studies appear not willing to work in the printing industry. Improving working environment and employee treatment and training for skilled manpower through conversion into technology-intensive businesses will resolve the difficulty caused by the labor market instability.

(4) Weakened Competitive Advantage of Exportation

The degree of the domestic printing industry's dependence on exportation is around 3 to 5 percent; the low level would fall even further as the competitive power is diminishing. Training export-oriented marketing specialists, support from the government, and strategic approaches emphasizing the pursuit of high quality products are expected to remedy the problem.

4. Prospects of the Future Market

(1) Government Policies on the Printing Market

The Ministry of Culture and Tourism announced “A Comprehensive Proposal for the Development of the Printing and Publishing Industries” in May 2004. According to the scheme for three major objects, which are the realizing of a top-five leading nation in the publishing and printing industries, establishing a central market in the Far East Asia, and fostering the e-publishing industry, the government will invest the total amount of 658 billion KRW, including 135 billion KRW from the National Treasury, in the publishing and printing market. The government policies for the printing industry are as follows:

- The government supports the construction of the Paju Printing Complex to prepare a integrated foundation for the publishing and printing industries.
- The government provides companies participating in domestic and international publications or printing exhibitions with aids to gain opportunities for entry into international markets. (Frankfurt Book Exhibition in 2005, Expo America Book Exhibition in 2006, and Paris Book Exhibition in 2007: Participations is sponsored by the KPRI.)
- The government sets September 14 of each year as the day of printing culture and has various events held.
- The government provides the industry with a proper taxation system and financial aids for the modernization of facilities. (The Cultural Enterprise Promotion Fund with low interest rate is offered.)

(2) Estimated Market Size and Future Expectations

The estimated size of the future printing market based on the weighted-averaged growth rate of the last four years, which was 10.2%, is as follows:

<Table> The Estimated Amount of the Market Size

(Billion KRW)				
Year	2004F	2005F	2006F	2007F
Estimated Revenue	6,083	6,701	7,381	8,131

Based on the precedents of rapid growth (21% in 2000 and 16% in 2001), the market would likely expand as stated above, even though the market growth rate has slowed down due to the current recession.