

TOPPAN FORMS



ANNUAL REPORT 2001

About Toppan Forms

Toppan Forms Co., Ltd., a major player in the business forms industry, offers a diverse range of market-leading products and services, drawing on years of accumulated experience and customer loyalty.

Toppan Forms' Data Print Services (DPS) operations combine the Company's business forms with information processing expertise to meet the unique printing needs of individual businesses, from editing and processing through printing and distribution. Against a background of rapid growth in outsourcing, the Company's DPS operations have evolved into a core business, helped by a combination of Toppan Forms' innovative thinking and collective strengths.

In response to the increasing use of information technology (IT) and the Internet, Toppan Forms is expanding the scope of its business by developing new products and services that support the flow of electronic and digital data across networks.

In this way, Toppan Forms is striving to meet the needs of a wide range of customers by offering optimal solutions through a comprehensive range of information processing services.

Contents

Consolidated Financial Highlights	1
To Our Shareholders and Friends	2
Pursuing New Strategic Directions	4
Review of Operations	10
Printing Business	10
Other Businesses	11
New Business Fields	12
Research and Development	12
Network	13
Topics	13
Financial Section	14
Principal Subsidiaries and Affiliates	36
Board of Directors	37
Corporate Data	37

FORWARD-LOOKING STATEMENTS

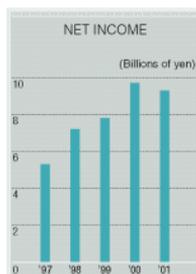
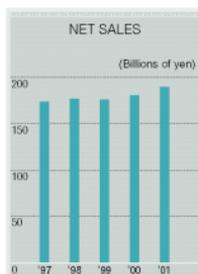
This annual report contains certain statements based on Toppan Forms' current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ significantly from the contents of this annual report. Accordingly, there is no assurance that the forward-looking statements in this annual report will prove to be accurate.

Consolidated Financial Highlights

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
For the year:				
Net Sales	¥175,797	¥180,521	¥189,465	\$1,527,943
Operating Profit	15,251	17,498	18,094	145,919
Net Income	7,825	9,710	9,272	74,774
At year-end:				
Shareholders' Equity	¥ 75,060	¥ 82,481	¥ 89,292	\$ 720,097
Total Assets	126,839	133,649	141,515	1,141,250
	Yen			U.S. dollars
Per Share Data:				
Net Income	¥68.04	¥84.44	¥80.68	\$0.65
Cash Dividends	17.00	20.00	21.00	0.17

Note: U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥124=U.S.\$1, as at March 31, 2001.



To Our Shareholders and Friends



Yasuhiro Fukuda
President and Representative Director

OPERATING ENVIRONMENT AND RESULTS IN FISCAL 2001

During fiscal 2001, ended March 31, 2001, the Japanese economy saw some signs of recovery based on stronger business results and higher levels of private-sector investment. However, the difficult employment situation and weak consumer spending meant economic conditions continued to be challenging.

The business forms industry faced a tough operating environment due to structural changes in demand, attributable to the trends of digitization and the increasing use of networks, and to falling prices accompanied by corporate cost cutting measures. Soaring paper prices during the fiscal year also contributed to the harsh conditions.

In this operating environment, Toppan Forms worked to ensure its comprehensive range of information management and processing services met the emerging needs of the network information age through improvements to its existing business forms and DPS

lineups and the creation of new products and systems for use in the digital field. The Company also took steps to redefine its customer-oriented stance, to strengthen its sales activities with a focus on information management and processing services, to find greater efficiencies in manufacturing and distribution structures across all Group companies, and to raise competitiveness.

In fiscal 2001, consolidated net sales increased 5.0% from the previous year, to ¥189.5 billion, helped by strong sales in the Company's DPS business. Although consolidated operating profit rose 3.4%, to ¥18.1 billion, consolidated net income declined 4.5%, to ¥9.3 billion, due to provisions for a one-time extraordinary expense to cover a shortfall in pension plan obligations.

With net income per share of ¥80.68, the Company paid an interim cash dividend per share of ¥10.00 and increased the year-end cash dividend per share ¥1.00, to ¥11.00. Therefore, total cash dividends per share for the year amounted to ¥21.00. The Company's non-consolidated payout ratio in fiscal 2001 was 25.2%. Return on assets was 6.7%, and return on equity was 10.8%. Capital expenditures totaled ¥5.6 billion.

BUSINESS DIVISIONS

In business forms, we developed several new products. These included an anti-counterfeit form offering value-added security functions, based on the application of Toppan Forms' unique microcapsule technology, and a new sales promotion mailing form that can carry large volumes of information. We also introduced new and improved products into our range of delivery slips, such as our new EX forms, which are easily adaptable to the individual requirements of customers' businesses. As a company that cares about the environment, we developed a range of eco-friendly envelopes made from such materials as non-wood-based bagasse paper and biodegradable plastic film. We also worked to increase the use of eco-friendly soybean oil ink in all our printed products.

In our DPS operations, during fiscal 2001 we completed the installation of new processing systems and equipment that will enable the Company to meet

the increasingly diverse needs of its customers for direct mail and business mail products. These included a variable color printing system and its more advanced counterpart, the variable color graph printing system, which is capable of creating charts and graphs of high visual impact.

In Digital Print on Demand (DOD), with our expertise we solve some of the unique problems encountered by our customers. For example, for one customer, we developed a system that enables the creation of educational materials suited to the progress of individual students, and, in another case, we devised a direct order pamphlet printing service that makes use of the speed and convenience of the Internet. We also installed tighter security systems and employed data verification systems at our data centers and factories to ensure higher levels of service in our DPS operations. Meanwhile, data processing speeds were raised and delivery times were reduced thanks to the installation of the latest equipment at our principal facilities.

In multimedia-related products, we developed new services to support the increasing need for the digitization of paper-based documents and images. In addition, backed up by the application of our own technology, we worked in cooperation with a number of companies overseas to develop new network-related businesses, such as a net based data distribution service, Digital Delivery Service, and a new e-learning system offering business training services to corporations.

CORPORATE GOVERNANCE

Toppan Forms continues to strive to meet the expectations of its shareholders, customers, and employees while working to build a company that creates products and services with high component value. In addition to making its business operations more transparent based on a policy of open disclosure, the Company is working to more efficiently leverage its assets with an emphasis on cash flow, to increase levels of efficiency and profitability, and to maximize shareholder value.

OUTLOOK FOR FISCAL 2002

Despite some hope of a recovery in the Japanese economy based on stimulus measures introduced by the government, there is still little room for optimism due to continuing weak levels of consumer spending and the difficult employment situation.

The challenging operating environment in the business forms industry is also expected to continue due to the structural changes in demand, brought about by digitization, and falling prices in response to intensifying competition.

Faced with this situation, Toppan Forms and its Group companies will work to further strengthen their customer-oriented stance, offering customers flexible solutions to the specific needs of their businesses and aiming to ensure the Company earns a position of trust in the marketplace. Toppan Forms will continue to introduce new and improved high-value-added products and services to respond to the rapid shifts of the network information age. Through the optimization of its facilities and personnel as well as a radical reform of its cost structure, Toppan Forms will also work to strengthen the Company's business base and improve performance.

With environmental issues being an important consideration in all its business activities, Toppan forms will continue to implement the appropriate measures centered on the activities of the Company's Environmental Protection Committee.

In closing, we would like to thank our shareholders for the confidence they have placed in us and hope that they will continue to support us in our endeavors in the future.

June 2001



Yasuhiro Fukuda

President and Representative Director

Pursuing New Strategic Directions

Pursuing New Strategic Directions

Toppan Forms, a pioneer in the business forms industry, is using the information processing expertise gained in its Data Print Services (DPS) operations to achieve further growth as an Integrated Information Management Services (IIMS) company. To ensure strong long-term growth, Toppan Forms is developing new high-value-added products, implementing an aggressive sales strategy, and working to enhance its revenue-generating structure through increases in operational efficiency.

The growth Toppan Forms has achieved over the years has been built on a powerful customer-oriented business that allows the Company to preempt the needs of

the market and the ability to rapidly create products that attain high levels of customer satisfaction.

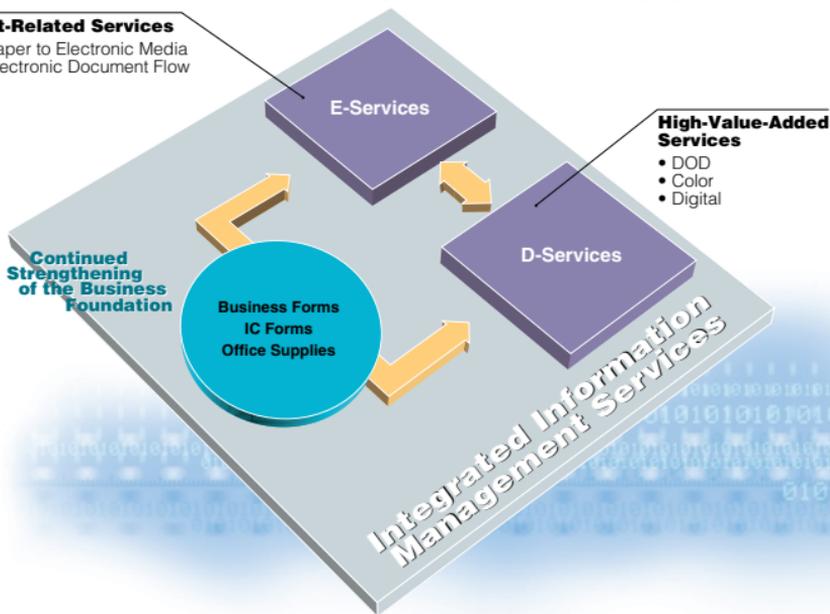
The business forms industry, which is characterized by mature market conditions, continues to face a challenging operating environment. Despite concern about the future direction of the industry, Toppan Forms sees considerable business opportunities ahead of the Company. For instance, the market for paper-based forms and documents is not expected to see dramatic growth in the long term. Nonetheless, by adding advanced information processing functions to these fundamental products, Toppan Forms is expanding its DPS operations, which are now a core

business segment for the Company.

The rapid spread of the Internet is showing it has the potential to redefine the fabric of society. Customers are calling for new products and services as the proliferation of electronic media and information technology (IT) leads to structural shifts in market demand and the creation of new market needs. In this dramatically changing environment, Toppan Forms is working actively to develop its strategic digital information management services.

To ensure continuous business growth amid these shifts in the marketplace, Toppan Forms is taking steps to offer an advanced range of comprehensive information

- Net-Related Services**
- Paper to Electronic Media
 - Electronic Document Flow



management and processing services, regardless of the type of media. This concept forms the core of Toppan Forms' business strategy.

BUSINESS FORMS AND SUPPLIES

Business forms and supplies are our core business, centered on our mainstay business forms products. We have continued to make improvements to our basic business forms by enhancing functionality and specialization and lowering costs, based on the Company's key themes of economy, security, and ecology. Cost reductions have been achieved through a rationalization of production processes and facilities, while a new e-commerce ordering

system is helping to create a low-cost operational framework and increase convenience for customers.

D-SERVICES

Supported by the growing trend toward outsourcing among companies, our DPS operations have continued to post strong growth. In this business, we are focusing on exploiting new markets and introducing even higher levels of added value into our lineup of services. We are also developing our Digital Print On Demand (DOD) services with an emphasis on responding to demands for increasingly individualized printed material and tighter deadlines.

E-SERVICES

As IT increasingly becomes an integral part of business, we are expanding the range of information processing services we offer to include digital media, drawing on the expertise we have gained through our DPS operations. We are working to provide a wide range of Internet-related services, such as Application Service Provision (APS), that are capable of handling the management and processing of information, regardless of the media involved. Toppan Forms has brought these electronic media focused services and products together in one package, Information Management Services (IMS).

Further Expanding Data Services

THE FURTHER DEVELOPMENT OF THE COMPANY'S DPS OPERATIONS, A STABLE REVENUE BASE AND THE MAIN STAY OF TOPPAN FORMS' D-SERVICES, IS AN IMPORTANT OBJECTIVE. ALSO, ALONG WITH CULTIVATING THE GROWTH POTENTIAL OF DOD SERVICES, TOPPAN FORMS IS WORKING TO PROMOTE ITS DPS OPERATION THROUGH THE INTRODUCTION OF NEW FUNCTIONS AND APPLICATIONS AND AGGRESSIVE MOVES INTO NEW MARKET AREAS.

By building on Toppan Forms' comprehensive range of multi-functional business forms, the Company's DPS operations offer a fully integrated service, from the creation of the printed document or form to the dispatch process.

DPS has benefited from the growing trend of outsourcing, with

the efficiencies realized in administrative functions allowing companies to concentrate their resources into strategic business areas. Toppan Forms' DPS operations, which have achieved double-digit growth over the past several years, are now an important engine driving the expansion of the whole Company.

Our DPS operations are based on the core concepts of enhancing functionality, making use of new applications, and responding to the demands of new and emerging markets. Our DPS offerings have evolved into a highly sophisticated range of services—originally, only

handling black and white printing, but now utilizing a myriad of data management and processing tools. Our variable color printing system can translate diverse information entrusted to us by individual customers into clear and understandable documents, while our

unique color graph system is capable of creating charts and graphs of high visual impact. By taking advantage of these types of systems, we are strengthening our presence in new markets by offering customers innovative services that enhance their direct mail and business mail activities. Based on the know-how and experience we have already gained in this field, we are looking to further develop our DPS business by targeting new customer segments and industries, such as the financial services industry.

As the needs of consumers continue to become more diverse, we are developing products that allow our customers to better target their sales promotional activities. For example, in our DOD operations we are working with full-color digital printing technology that enables the clear presentation of customer-specific information for one-to-one marketing. DOD services are also helping the Company to exploit new markets through the accurate and prompt processing and delivery of customer orders.

To meet the emerging needs of



D-SERVICES GROWING DEMAND FOR DPS FROM THE FINANCIAL SERVICES INDUSTRY

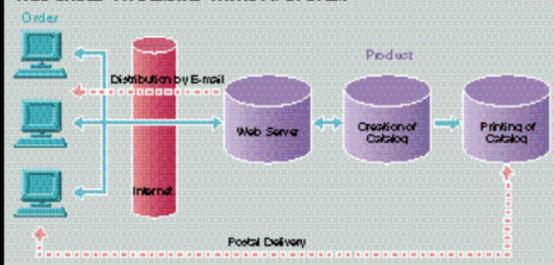
The continuing reorganization of the domestic financial services industry, triggered by Japan's big bang financial reforms, has led to a diversification of the products and services that banks and other financial institutions now offer. These changes are also presenting new opportunities for Toppan Forms. For example, due to the expansion of retail services provided by banks and securities firms, the volume of information dispatched to customers, such as company

statements and asset management reports, continues to increase. Toppan Forms is seeking to exploit this new market by offering such products as easy-to-read color documents and statements incorporating graphs and charts, while giving its customers the flexibility to alter and send data at short notice. By ensuring high levels of security for sensitive data transmission, Toppan Forms is also earning the trust of customers in the financial services industry.



the market, Toppan Forms is developing its own unique technologies and expanding its data processing and production facilities. While working to improve its capabilities and efficiencies in production and processing on the one hand, the Company is also building a framework that guarantees total security for the data entrusted to it by customers. Also, Toppan Forms is continuing to improve convenience for customers by putting in place flexible systems that are capable of responding quickly to product-quality and deadline demands.

WEB-BASED ON-DEMAND CATALOG SYSTEM



D-SERVICES

OPENING UP NEW MARKETS WITH WEB-BASED DOD SERVICES

Toppan Forms has developed a web-based on-demand catalog system that helps its customers quickly produce catalogs for niche markets. This groundbreaking system is capable of meeting a wide range of market needs thanks to its ability to handle paper and electronic media, or a combination of both. Customers can create personalized catalogs using their own web-browser software and have them printed on Toppan Forms' high-speed, full-color digital printing machines and delivered the next day. The system also allows the customer to distribute the information as an electronic catalog over the Internet.

Fostering Net-Related Services

WITH THE ARRIVAL OF THE BROADBAND AGE, BUSINESSES MAKING FULL USE OF THE INTERNET WILL BENEFIT FROM CONSIDERABLE PRODUCTIVITY GAINS. AT THE SAME TIME, E-COMMERCE IS EXPECTED TO WITNESS MASSIVE EXPANSION. BY CAPITALIZING ON THESE DEVELOPMENTS, TOPPAN FORMS IS WORKING TO CREATE A NEW AREA OF GROWTH FOR THE COMPANY BY FOCUSING ON ELECTRONIC MEDIA AND ITS RELATED BUSINESSES.

Developments in IT have meant that activities carried out by companies through paper media, such as billing and sales promotions, are gradually shifting to the Internet. The e-government policies being implemented by central and local authorities are also contributing to the increase in net-based transactions and administrative

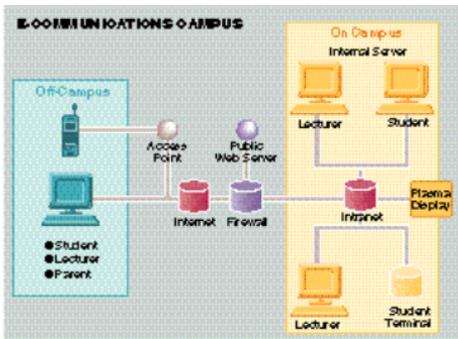
activities. In response to these developments, Toppan Forms has already developed and expanded its range of Internet-related services and products incorporating the latest digital technology.

Toppan Forms' industry-first Digital Delivery Service uses the know-how gained through the Company's DPS operations to take over the postal-based activities of customers, allowing the simultaneous distribution of information to their clients and business partners over the Internet. This system enables the electronic delivery of bank statements, invoices, reports, and protected data over digital networks. The service is

also One-Source Multi-Use compatible, which means that customers or business partners without an Internet capability still continue to receive information via the conventional postal-based system.

Toppan Forms' work with banks to digitize regulations on front-office operations and create electronic document management systems is also highly regarded in the financial services industry. In addition, we are helping companies in a variety of industries to build their customer base and provide increased levels of service to existing customers through net-based marketing and support services. And, this does not just mean creating home pages; it means putting in place comprehensive systems that allow our customers to conduct all aspects of their marketing activities over the web.

On November 8, 2000, Toppan Forms established a joint venture with the largest open e-learning network in the United States, click2learn.com, inc., offering e-learning solutions and business training services to corporations in Japan.



E-SERVICES E-COMMUNICATIONS CAMPUS

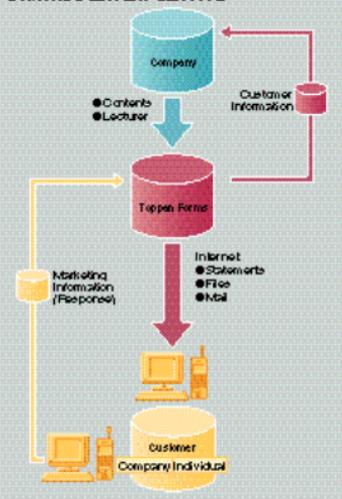
The e-communications campus system provides useful campus information for students quickly and inexpensively over both the fixed and mobile Internet. This network system allows university staff to effortlessly contact the student body

about last-minute changes to lecture times or classrooms, while students can check credits and course syllabuses using their computers at home, their mobile phones, or computer terminals or plasma display screens on campus.



Spurred on by the rapid realization of a society interconnected by digital networks, Toppan Forms is taking steps to transform its e-services operations into a key growth area, channeling investment into R&D and the development of a highly skilled workforce. The Company is also actively working with domestic and international partners in a variety of fields through alliances and tie-ups. Toppan Forms will continue to direct its business in this area based on a careful analysis of market trends.

DIGITAL DELIVERY SERVICE



E-SERVICES

Digital Delivery Service, a First in the Industry

Toppan Forms has begun offering a Digital Delivery Service to customers. Instead of our customers using the traditional postal system to send out such information as invoices and direct mail to their clients and business partners, Toppan Forms does the work for them, distributing the information in a variety of configurations over the Internet. This new business model is based on the know-how gained through our DPS operations, and we are further enhancing the service to enable the distribution of information or data regardless of the media.

Review of Operations

For the fiscal year under review, the ratios of consolidated to non-consolidated net sales and net income were 1.08 and 0.97, respectively. Although the difference between the two figures is small, non-consolidated figures have been used below as they offer a clearer picture of divisional performance.

PRINTING BUSINESS

Printing operations represent the Company's core business segment and are divided into two main categories: business forms and data print services (DPS). During fiscal 2001, total sales in printing business operations increased 5.2% from the previous year, to ¥141.5 billion, accounting for 80.5% of the Company's net sales.

DM ENVIRONMENTALLY FRIENDLY WINDOW ENVELOPES

Envelopes made with only eco-friendly materials, such as non-wood-based bagasse paper

BUSINESS FORMS

Sales in the Company's Business Forms division increased 1.8% from

the previous year, to ¥105.8 billion. This division is divided into four product categories: business forms; related printing, dealing principally with the color printing of general-purpose items and envelopes; multimedia- and IC-related products; and others, which includes products, such as cards.

Business forms, which are the mainstay of the Company's operations, accounted for 48.2% of net sales in the fiscal year under review. Operating conditions in this market segment were increasingly challenging during the year due to corporate cost cutting measures, falling prices brought about by intensifying competition, and soaring paper prices. Moreover, the market for business forms continued to contract, affected by structural changes in demand for printed products accompanying the increasing use of digital networks. In this setting, the Company took steps to respond to shifts in the market, such as continued reform and deregulation in the financial services industry. At the same time, based on improvements to existing products and the introduction of new high-value-added products incorporating innovative functions and eco-friendly technologies, Toppan Forms worked to respond to the emerging needs of the market by further strengthening its customer-oriented sales activities.

During fiscal 2001, sales of business forms decreased 1.5% from the previous year. Sales of ecology forms rose 9.2%; sales of EX forms, used in place of transport and delivery slips, grew 16.5%; and sales of mailing forms, including the POSTEX® range of products, increased 9.2%.

Mail-related products, such as our POSTEX® sealed postcards, which offer businesses considerable cost



PRODUCT GUARANTEE CERTIFICATE WITH DATE SEAL

Toppan Forms EX forms with a date stampable seal can be used as product guarantees for electrical goods bought over the Internet.

savings, and printed products used in sales promotions, recorded particularly strong sales. During fiscal 2001, Toppan Forms introduced several new value-added products into its POSTEX® III Eco 100, the industry's first postcard-type mailing form printed on 100% recyclable paper that conforms to the Law for Environmental Purchasing, and an ink-jet printable sealed data postcard that is compatible for use with water-based inks, another industry first. Toppan Forms also further strengthened its lineup of business forms with eco-friendly products, such as the DM Environmentally Friendly Window Envelope, and products with new functions, including EX forms with a date stampable seal for product guarantees.

The related printing category covers the printing of mail envelopes, catalogs, and pamphlets related to business forms products. Increased orders for printed products used in sales promotions helped to boost overall sales in this category 21.5% from the previous year.

Although the volume of sales in the multimedia- and IC-related products category is still small, Toppan Forms sees it as a strategic business. Sales in this category



during fiscal 2001 were strong, rising 69.7%.

Sales in the others category, which includes various types of cards, rose 2.1% from the previous year. Toppan Forms provides a variety of cards centered on plastic cards and point cards. Card-related services, including consulting and systems development, are also part of this category. The Company is working to boost sales of its card business by offering integrated card systems solutions based on a diverse lineup of services and applications. Although there is a general trend toward the greater use of IC card systems in business, our Fine Rewrite Cards are enjoying particularly strong demand thanks to their low deployment costs and enhanced data display readability.



ECO-SECURITY LABELS

A number of prefectural and city governments are introducing eco-security labels as garbage recycle vouchers.

DATA PRINT SERVICES (DPS)

Toppan Forms continues to achieve strong sales in its DPS operations, which increased 16.8% in the year under review, to ¥35.7 billion. In addition to sales targeting telecommunications companies, DPS operations benefited from growing demand from the financial services industry for direct mail communications tools and business mail, such as invoice distribution, as well as from new orders for outsourcing solutions.

DOD is a system that makes possible full-color printing using digital data sent directly to us from customers. Thanks to new applications that allow the more personalized printing of products and a faster response to meeting customer orders, the system is suitable for one-to-one marketing products or printed materials aimed at niche groups. Toppan Forms is aggressively promoting its DOD operations based on forecasts for strong demand for these services.

The tunnel wall inspection data printing system is one of our DOD services. The system's labor-saving characteristics enable the efficient inspection of concrete tunnels by rail companies. Users are already realizing the benefits of the system, and we have expectations that their results will lead to further sales to other transportation companies. During fiscal 2001, sales in DOD operations grew 41.5% from the previous year.

OTHER BUSINESSES

Toppan Forms' printing business is supported by three related operational categories: equipment, supplies, and services. Sales in the other businesses segment edged up 1.7% from the previous year, to ¥34.3 billion.

EQUIPMENT

The Company's equipment operations are centered on printing and binding devices for business forms and card products. By combining these peripheral and related devices with its range of business forms, Toppan Forms is capable of providing fully integrated systems that meet the specific needs of its customers. Sales in this category slipped 0.8%, to ¥5.2 billion, primarily due to companies



DPS sales continue to grow, with demand from the financial services industry expected to increase.

postponing equipment replacement as a result of the depressed economic conditions.

Our principal products in this category include sealers that process printed business forms into envelopes and postcards, detachers that separate continuous forms into individual pages, printing and posting systems for delivery slips, automated paper feeders for high-speed printers, and binding systems. In card-related products, which have continued to record strong sales growth in recent years, we supply IC card reading equipment and devices for issuing membership and rewritable cards.

SUPPLIES

Toppan Forms handles a wide range of office supplies, including magnetic media, office furniture and fixtures, such IT-related equipment supplies as printer toner cartridges and drums, and a wide range of paper

products, including recycled paper. In the year under review, there was strong IT-driven demand for office supplies, which led to an increase in sales volume. However, intensifying competition pushed down prices and held sales to a 0.8% rise, to ¥19.5 billion.

SERVICES

Our services business principally comprises dispatching personnel to assist in developing, managing, and maintaining our customers' information management systems. These services are handled by the Company's wholly owned subsidiary Toppan Forms Operation Co., Ltd. Due to an increase in orders for network management contracts, mainly from the financial services industry, sales in this category grew 5.1%, to ¥9.5 billion.

NEW BUSINESS FIELDS

Toppan Forms is constantly searching for new fields of business

in which it can apply the experience and expertise it has gained as a leader in the business forms industry. As outlined in the preceding section of this report, in response to the continuing advance of IT and the increasing use of computerized business forms Toppan Forms is focusing its resources on the strategic business field of Information Management Services (IMS), offering e-services compatible with the latest electronic media and Internet applications. The Company is confident that the know-how and experience it has acquired in its business forms and DPS operations will contribute to growth in this new strategic business area.

In September 2000, the Company established a new business, Application Service Provision (ASP). As the first step in the development of this business, we began offering a new groupware product, f-ware, which enables the efficient management of employee schedules and company facilities. The software is mobile-phone compatible, allowing employees to make appointments while on the move. Toppan Forms' f-ware package can help companies achieve considerable cost savings and is faster to install than similar in-house-developed systems, clearly demonstrating the merits of deploying the system. Toppan Forms sees strong potential demand from corporate customers for the system.

Cyber DM and Hyper DM are two of the Company's most successful direct mail products, combining paper, network, and electronic media into one package. Our Cyber DM System facilitates the issuance of IDs and passwords that can then be used by the recipient to access individually customized information on web sites. The Hyper DM System facilitates the provision of large



RECYCLABLE COPY PAPER

Toppan Forms is actively involved in the development of eco-friendly products.

volumes of information to individual users through the use of CD-ROMs. In addition to these products, we are continuing to develop services in the fields of electronic document management and distribution.

In September 2000, Toppan Forms signed an agreement with Microsoft Co., Ltd. and IC card specialist Schlumberger to co-develop an IC card based user authentication service for Windows 2000. Also during the year, we incorporated new functions and services into our Visitor Management System, which uses non-contact IC cards, contributing to higher sales in our IC card business.

RESEARCH AND DEVELOPMENT

Approximately 5.7% of Toppan Forms' employees are involved in R&D, with the Company spending ¥2.1 billion on R&D in fiscal 2001. Toppan Forms' R&D activities cover a wide range of areas, including basic research into materials used in the Company's products, the development of new peripheral equipment and improvements in existing equipment, and the development of technologies and software for data processing and printing. Toppan Forms aims to reach an even higher level of technological achievement in its R&D activities through participation in joint research with other companies in the industry,

MAGNETIC MEDIA

Toppan Forms supports the day-to-day running of customers' businesses through the supply of IT-related products and media.



universities, and research institutions. Also, Toppan Forms has established a base in Silicon Valley, in the United States, that enables it to acquire and make use of information concerning the latest technological developments.

Toppan Forms' fundamental approach to business is focused on listening to the needs of customers, developing appropriate integrated solutions to meet their requirements, and providing them with suitable proposals. During the whole process, the Company's R&D units work in close cooperation with the planning and sales promotion divisions. At Toppan Forms, R&D is carried out with the requirements of the customer constantly in mind, resulting in the development of high-value-added products that meet the needs of the market and contribute to the overall growth of the Company.

In recent years, in conjunction with moves into IMS, Toppan Forms has conducted R&D in a range of advanced technical fields, including multimedia, the Internet, and IC-related products. The objective of these activities is to further raise the value of our products by combining the latest technological advances with our established strengths.

NETWORK

Toppan Forms' network of marketing offices, production facilities, and distribution bases extends across

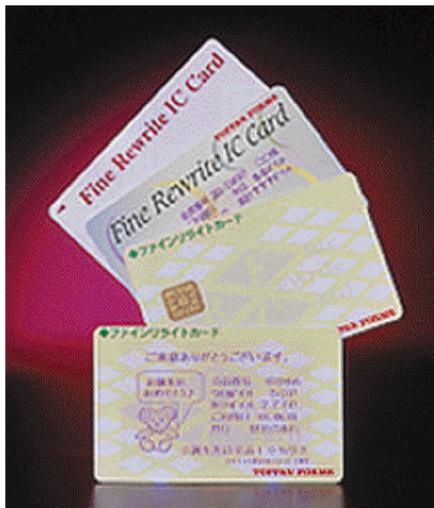
the whole country, allowing the Company to respond promptly and accurately to customers' orders.

The Company maintains 54 sales offices throughout Japan, primarily in major cities. Marketing and support staff are knowledgeable not only in the Company's business forms but also in systems for the forms and in marketing. Our staff draw on this knowledge to provide customers with the products and services that are best suited to their specific needs.

Toppan Forms has eight main production facilities that manufacture a common range of products and nine plants that work to meet demand in specific regions. The Company is currently decommissioning two plants dedicated to the production of specialty products.

The Company's distribution operations comprise seven distribution centers and 23 warehouses, delivering products from manufacturing facilities to customers through Toppan Forms' nationwide distribution network.

The Company has 12 domestic subsidiaries: five manufacturing companies and seven companies involved in a variety of businesses, including computer personnel dispatch, after-sales service, equipment maintenance, and distribution. Supported by these businesses, Toppan Forms is capable



FINE REWRITE IC CARDS

Point cards are just one of the multitude of customer service uses for fine rewrite IC cards.

of providing customers with a full range of integrated information management services.

Overseas, the Company is continuing to strengthen its production facilities and sales structure, enhancing its network of six subsidiaries in the Asian region.

TOPICS

In January 2001, Toppan Forms' subsidiary in Hong Kong completed an integration of its manufacturing facilities in the region, consolidating its four plants into a newly constructed facility on a site owned by Toppan Printing Co., Ltd. In addition to the continued manufacture of business forms products, the Company is using the facility as a base for DPS operations. The plant is equipped with the latest technology and security systems, making it one of Asia's leading high-tech manufacturing facilities.



TOPPAN FORMS' NEW FACILITY IN HONG KONG

Toppan Forms has integrated its four plants in Hong Kong into one new facility, increasing capacity and improving efficiency.

Contents

Consolidated Five-Year Financial Summary.....	15
Financial Review	16
Consolidated Balance Sheets.....	18
Consolidated Statements of Income	20
Consolidated Statements of Shareholders' Equity.....	21
Consolidated Statements of Cash Flows	22
Notes to Consolidated Financial Statements	23
Report of Independent Accountants.....	35

Consolidated Five-Year Financial Summary

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

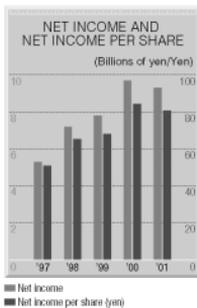
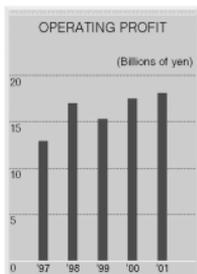
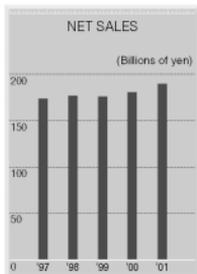
Years ended March 31	Millions of yen					Thousands of U.S. dollars	
	1997	1998	1999	2000	2001	2001	
For the year:							
Net sales	¥173,595	¥176,619	¥175,797	¥180,521	¥189,465	\$1,527,943	
Operating profit	12,863	17,038	15,251	17,498	18,094	145,919	
Income before income taxes	12,805	16,532	15,374	17,529	16,837	135,782	
Net income	5,335	7,197	7,825	9,710	9,272	74,774	
Depreciation.....	4,648	4,782	5,321	4,966	4,800	38,710	
Capital expenditures	5,792	17,519	15,765	5,529	5,941	47,911	
R&D expenses	1,847	1,700	1,769	1,910	2,185	17,621	
At year-end:							
Total assets	¥109,882	¥125,730	¥126,839	¥133,649	¥141,515	\$1,141,250	
Total shareholders' equity	50,682	69,182	75,060	82,481	89,292	720,097	
Number of shares outstanding (thousands).....	10,500	115,000	115,000	115,000	114,851		
Number of employees.....	6,287	6,395	6,232	6,139	6,165		
Cash flows:							
Net cash provided by operating activities.....	-	-	¥14,237	¥12,682	¥12,548	\$101,194	
Net cash used in investing activities.....	-	-	(18,753)	(4,420)	(8,650)	(69,758)	
Net cash provided by (used in) financing activities....	-	-	(2,566)	(2,494)	(2,568)	(20,710)	
Cash and cash equivalents at end of year	-	-	11,016	16,767	18,113	146,073	
Yen U.S. dollars							
Per share data:							
Net income	¥ 50.81	¥ 65.43	¥ 68.04	¥ 84.44	¥ 80.68	\$0.65	
Cash dividends	105.00	15.00	17.00	20.00	21.00	0.17	
Shareholders' equity	482.68	601.59	652.69	717.23	777.46	6.27	
Percent							
Ratios:							
Equity ratio	46.1%	55.0%	59.2%	61.7%	63.1%		
Return on net sales	3.1	4.1	4.5	5.4	4.9		
Return on assets	5.1	6.1	6.2	7.5	6.7		
Return on shareholders' equity	11.0	12.0	10.8	12.3	10.8		

Notes: 1. U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥124-U.S.\$1, as at March 31, 2001.

2. From the year ended March 31, 1997, all subsidiaries are consolidated, with minor exceptions.

3. The computations of net income per share and shareholders' equity per share are based on the weighted average number of shares of common stock outstanding during each year that is adjusted to reflect stock splits made on August 1, 1997. The amounts for prior periods have been restated. Cash dividends per share represent the actual amounts applicable to earnings of the respective years.

4. On March 6, 1998, the Company made a public offering of 10,000,000 shares of its common stock and received related proceeds of ¥11,020 million.



OVERVIEW OF OPERATIONS

During fiscal 2001, ended March 31, 2001, the Japanese economy showed some signs of recovery based on improved business results and higher levels of private-sector investment. However, the difficult employment situation and weak consumer spending persisted and as a result economic conditions continued to be challenging.

The operating environment in the business forms industry remained difficult, reflecting structural shifts in demand, attributable to the trends of digitization and the increasing use of networks, and falling prices accompanied by corporate cost cutting measures. Soaring paper prices exacerbated the situation.

In this environment, Toppan Forms and its domestic and overseas Group companies further strengthened their customer-oriented stance and worked to ensure the Company's comprehensive range of information management and processing services met the emerging needs of the network information age. As a result of efforts to improve performance, based on efficiency gains and rationalization across all areas of its business, Toppan Forms achieved increases in both sales and profits.

INCOME AND EXPENSES

During the fiscal year under review, consolidated net sales rose 5.0% from the previous year, to ¥189.5 billion (\$1,528 million). In the Printing Business segment, sales increased 5.7%, to ¥151.9 billion (\$1,225 million), accounting for 80.1% of net sales. In business forms, although cost-cutting measures taken by companies led to falling prices, sales volumes of key products were strong, such as anti-counterfeit forms offering value-added security functions and sales promotion mailing forms. The Company's Data Print Services (DPS) operations posted a 16.8% year-on-year increase in sales, to ¥35.7 billion (\$288 million), boosted by the introduction of new

applications and growth in the Digital Print on Demand (DOD) business.

In the Other Businesses segment, the Company worked to expand the range of equipment and supplies it handles in response to the rapidly expanding IT-driven market. However, intensifying competition led to lower prices and weak demand due to companies postponing equipment replacement orders resulted in sluggish sales. An increase in new orders in the Company's outsourcing business for network management contracts, mainly from the financial services industry, contributed to a 2.1% rise in sales in this segment, to ¥37.6 billion (\$303 million).

Higher paper prices during the year under review pushed up the cost of sales, leading to a 6.3% rise from the previous year, to ¥137.4 billion (\$1,108 million). Although gross profit increased 1.7% year on year, to ¥52.1 billion (\$420 million), the gross profit margin declined 0.9 percentage points, to 27.5%.

Due to a revaluation of product delivery and transportation costs and the implementation of cost-cutting measures, selling, general and administrative expenses recorded only a slight 0.8% rise, to ¥34.0 billion (\$274 million). Operating profit increased 3.4% from the previous year, to ¥18.1 billion (\$146 million), while the ratio of operating profit to net sales edged down 0.1 percentage point, to 9.6%.

Other income was up 111.9%, to ¥2.3 billion (\$19 million), and other expenses grew 236.4%, to ¥3.6 billion (\$29 million). These large increases in other income and other expenses were due to the adoption of a new accounting standard for retirement benefits. To create a sounder financial base, Toppan Forms recognized the entire transition obligation as a one-off expense of ¥3.1 billion (\$25 million) during fiscal 2001. On the other hand, the Company contributed certain marketable equity securities to an employee retirement benefit trust and recognized a gain on securities contributed to employee

retirement benefit trust of ¥1.4 billion (\$11 million) in fiscal 2001. As a result, income before income taxes decreased 3.9% from the previous year, to ¥16.8 billion (\$136 million), and income taxes declined 2.8%, ¥7.5 billion (\$61 million).

Consolidated net income in fiscal 2001 decreased 4.5% year on year, to ¥9.3 billion (\$75 million), while net income per share was ¥80.68 (\$0.65).

Return on equity (ROE) declined 1.5 percentage points, to 10.8%, and return on assets decreased 0.8 percentage points, to 6.7%.

DIVIDEND POLICY

The provision of stable dividend payments to shareholders is one of Toppan Forms' most important objectives, and the Company determines dividends with consideration for corporate performance and the payout ratio.

During fiscal 2001, the Company paid an interim cash dividend per share of ¥10.00 and a year-end cash dividend per share of ¥11.00, increasing total cash dividends per share for the year ¥1.00, to ¥21.00 (\$0.17). The non-consolidated payout ratio rose 0.6 percentage points, to 25.2%.

FINANCIAL POSITION

At the end of fiscal 2001, Toppan Forms' total assets were ¥141.5 billion (\$1,141 million), an increase of 5.9% from the previous fiscal year-end. This rise was attributable to increases in current and fixed assets of ¥5.5 billion (\$45 million) and ¥3.1 billion (\$25 million), respectively. The rise in current assets was principally due to a ¥2.1 billion (\$17 million) increase in notes and accounts receivable, trade, reflecting higher sales, and a ¥4.0 billion (\$32 million) increase in marketable securities. The rise in fixed assets was mainly because of an increase of ¥2.6 billion (\$21 million) in investment securities, principally due to an appraisal gain of ¥1.8 billion (\$14 million) following the introduction of a current value

accounting standard for financial instruments.

Total current liabilities at the end of fiscal 2001 edged up 1.2%, to ¥50.2 billion (\$405 million), primarily due to a ¥2.4 billion (\$19 million) increase in notes and accounts payable, trade.

As of the end of fiscal 2001, total shareholders' equity was ¥89.3 billion (\$720 million), up 8.3% from the previous year-end. The equity ratio rose 1.4 percentage points, to 63.1%, and net assets per share rose ¥60.23, to ¥777.46 (\$6.27).

CASH FLOW

During fiscal 2001, net cash provided by operating activities edged down 1.1% from the previous year, to ¥12.5 billion (\$101 million). Income before income taxes declined 3.9%, to ¥16.8 billion (\$136 million), and depreciation and amortization dropped 3.3%, to ¥4.8 billion (\$39 million).

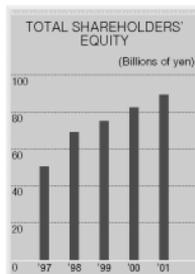
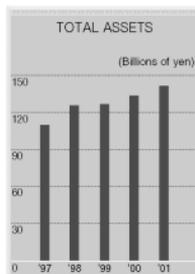
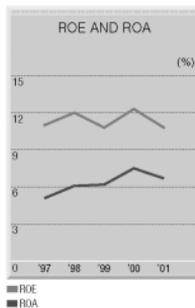
Net cash used in investing activities during the year under review grew 95.7%, to ¥8.7 billion (\$70 million). This increase was mainly due to a 49.2% rise in investments in tangible fixed assets, to ¥7.0 billion (\$57 million), principally attributable to expenses associated with the upgrading of the Fussa plant.

Net cash used in financing activities during fiscal 2001, rose 3.0%, to ¥2.6 billion (\$21 million).

At the end of fiscal 2001, cash and cash equivalents stood at ¥18.1 billion (\$146 million), an increase of 8.0% from the previous fiscal year-end.

CAPITAL EXPENDITURES

Capital expenditures increased 7.5%, to ¥5.9 billion (\$48 million). Major capital investments were carried out in DPS, with the upgrading of the Fussa plant to increase security and productivity, and in business forms, with the acquisition of new equipment to streamline processing operations at Toppan Forms' main facilities, such as the Hino plant.



Consolidated Balance Sheets

Toppin Forms Co., Ltd. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	2001	2001
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 16,167	¥ 13,613	\$ 109,782
Marketable securities (Notes 3 and 5)	600	4,600	37,097
Notes and accounts receivable, trade (Note 4)	34,192	36,248	292,323
Inventories (Note 6)	12,336	13,712	110,581
Deferred income tax assets (Note 12)	1,022	1,322	10,661
Other current assets	1,912	2,266	18,274
Total current assets	66,229	71,761	578,718
Fixed assets:			
Property, plant and equipment:			
Land	17,001	17,004	137,129
Buildings and facilities	27,999	30,166	243,274
Machinery, equipment and vehicles	51,287	53,851	434,282
Tools and furniture	9,827	9,970	80,404
Construction in progress	1,165	743	5,992
	107,279	111,734	901,081
Less: Accumulated depreciation	(59,337)	(62,890)	(507,178)
Property, plant and equipment, net	47,942	48,844	393,903
Investment securities and other assets:			
Investment securities (Note 5)	6,428	9,013	72,685
Leasehold deposits	4,470	4,395	35,444
Insurance funds	4,441	4,296	34,645
Deferred income tax assets (Note 12)	816	589	4,750
Other assets	2,512	2,617	21,105
Total investment securities and other assets	18,667	20,910	168,629
Total fixed assets	66,609	69,754	562,532
Foreign currency translation adjustments (Note 2)	811	-	-
Total assets	¥133,649	¥141,515	\$1,141,250

The accompanying notes are an integral part of these statements.

March 31

Millions of yen

Thousands of
U.S. dollars
(Note 1)

2000 2001 2001

LIABILITIES AND SHAREHOLDERS' EQUITY**Current liabilities:**

Short-term borrowings (Note 7)	¥ 773	¥ 1,015	\$ 8,185
Notes and accounts payable:			
-Trade (Note 4).....	30,191	32,604	262,935
-Construction	2,225	1,702	13,726
Accrued income taxes (Note 12)	4,382	3,925	31,653
Accrued bonuses to employees	4,209	4,365	35,202
Other current liabilities	7,832	6,596	53,194
Total current liabilities	49,612	50,207	404,895

Long-term liabilities:

Long-term debt (Note 7)	100	99	798
Accrued severance indemnities (Note 8)	645	-	-
Pension liabilities (Note 8).....	-	1,083	8,734
Deferred income tax liabilities (Note 12)	151	151	1,218
Other long-term liabilities	59	79	637
Total long-term liabilities	955	1,412	11,387

Minority interest in consolidated subsidiaries	601	604	4,871
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Shareholders' equity (Note 9):

Common stock, ¥50 par value– Authorized: 400,000,000 shares			
Issued: 115,000,000 shares.....	11,750	11,750	94,758
Additional paid-in capital	9,270	9,270	74,758
Retained earnings	61,461	68,302	550,823
	82,481	89,322	720,339
Net unrealized gains on other securities	-	1,037	8,363
Foreign currency translation adjustment (Note 2)	-	(692)	(5,581)
Treasury stock, at cost			
2001: 149,000 shares.....	-	(375)	(3,024)
Total shareholders' equity	82,481	89,292	720,097

Contingent liabilities (Note 16)

Total liabilities and shareholders' equity	¥133,649	¥141,515	\$1,141,250
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Consolidated Statements of Income

Toppin Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	2000	2001	2001
Net sales (Note 4)	¥175,797	¥180,521	¥189,465	\$1,527,943
Cost of sales (Notes 4 and 10)	127,444	129,328	137,411	1,108,153
Gross profit	48,353	51,193	52,054	419,790
Selling, general and administrative expenses (Notes 10, 11 and 13)	33,102	33,695	33,960	273,871
Operating profit	15,251	17,498	18,094	145,919
Other income:				
Interest and dividend income	127	89	96	774
Gain on securities contributed to employee retirement benefit trust (Note 8)	–	–	1,399	11,282
Other income	989	1,004	821	6,621
	1,116	1,093	2,316	18,677
Other expenses:				
Interest expense	(175)	(70)	(69)	(556)
Devaluation of securities	(394)	–	–	–
Net loss on sales of securities	–	–	(32)	(258)
Disposal of machinery and others	(140)	(383)	(105)	(847)
Devaluation of membership	–	(324)	(55)	(444)
Amortization of transition obligation (Note 8)	–	–	(3,088)	(24,903)
Other expenses	(284)	(285)	(224)	(1,806)
	(993)	(1,062)	(3,573)	(28,814)
Income before income taxes	15,374	17,529	16,837	135,782
Income taxes (Note 12):				
Current	7,699	8,142	8,342	67,274
Deferred	(183)	(421)	(837)	(6,750)
	7,516	7,721	7,505	60,524
Minority interest in consolidated subsidiaries	(33)	(98)	(60)	(484)
Net income	¥ 7,825	¥ 9,710	¥ 9,272	\$ 74,774
Per share of common stock (Note 15):				
Net income	¥68.04	¥84.44	¥80.68	\$0.65
Cash dividends applicable to the year	¥17.00	¥20.00	¥21.00	\$0.17

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	2000	2001	2001
Common stock:				
Beginning of period	¥11,750	¥11,750	¥11,750	\$94,758
Add/(Deduct)-	-	-	-	-
End of period	¥11,750	¥11,750	¥11,750	\$94,758
Additional paid-in capital:				
Beginning of period	¥9,270	¥9,270	¥9,270	\$74,758
Add/(Deduct)-	-	-	-	-
End of period	¥9,270	¥9,270	¥9,270	\$74,758
Retained earnings:				
Beginning of period	¥48,162	¥54,041	¥61,461	\$495,653
Add:				
Net income	7,825	9,710	9,272	74,774
Deduct:				
Cash dividends paid	1,840	2,185	2,299	18,540
Bonuses to directors	106	105	132	1,064
End of period	¥54,041	¥61,461	¥68,302	\$550,823
Treasury stock at cost:				
Beginning of period	¥ -	(¥ 1)	¥ -	\$ -
Net change resulting from purchase and sales of fractional shares of less than "One Unit" as defined by the Japanese Commercial Code	(1)	1	-	-
Purchase of treasury stock for stock options	-	-	(375)	(3,024)
End of period	(¥1)	¥-	(¥375)	(\$3,024)
Net unrealized gains on other securities:				
Beginning of period	¥ -	¥ -	¥ -	\$ -
Add/(Deduct)-	-	-	1,037	8,363
End of period	¥ -	¥ -	¥1,037	\$8,363
Foreign currency translation adjustment:				
Beginning of period	¥ -	¥ -	(¥811)	(\$6,540)
Add/(Deduct)-	-	-	119	959
End of period	¥ -	¥ -	(¥692)	(\$5,581)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	2000	2001	2001
Cash flows from operating activities:				
Income before income taxes	¥15,374	¥17,529	¥16,837	\$135,782
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	5,321	4,966	4,800	38,710
Gain on securities contribution to employee retirement benefit trust	—	—	(1,399)	(11,282)
Amortization of net transition obligation	—	—	3,088	24,903
Other	421	411	(141)	(1,137)
Changes in current assets and liabilities:				
Decrease (increase) in notes and accounts receivable	1,648	(1,119)	(2,019)	(16,282)
Decrease (increase) in inventories	(64)	94	(1,299)	(10,476)
Increase (decrease) in notes and accounts payable	528	(793)	2,317	18,685
Other, net	(238)	(385)	(864)	(6,968)
Sub total	22,990	20,703	21,320	171,935
Interest and dividends received	123	87	98	790
Interest paid	(141)	(60)	(54)	(435)
Income taxes paid	(8,735)	(8,048)	(8,816)	(71,096)
Net cash provided by operating activities	14,237	12,682	12,548	101,194
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(19,078)	(4,703)	(7,018)	(56,597)
Proceeds from sales of property, plant and equipment	33	190	28	226
Acquisition of marketable securities	(896)	—	(100)	(806)
Proceeds from sales of marketable securities	396	—	—	—
Acquisition of investment securities	(195)	(365)	(2,215)	(17,863)
Proceeds from sales of investment securities	—	7	535	4,315
Provided by other investing activities	2,423	2,279	1,677	13,524
Used in other investing activities	(1,436)	(1,828)	(1,557)	(12,557)
Net cash used in investing activities	(18,753)	(4,420)	(8,650)	(69,758)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(624)	(161)	82	661
Increase (decrease) in long-term debt	84	(51)	99	798
Repayments of capital lease obligations	(104)	(81)	(47)	(379)
Acquisition of treasury stock	—	—	(375)	(3,024)
Dividends paid	(1,921)	(2,202)	(2,327)	(18,766)
Other, net	(1)	1	—	—
Net cash used in financing activities	(2,566)	(2,494)	(2,568)	(20,710)
Effect of exchange rate changes on cash and cash equivalents	(15)	(17)	16	129
Net increase (decrease) in cash and cash equivalents	(7,097)	5,751	1,346	10,855
Cash and cash equivalents at beginning of year	18,113	11,016	16,767	135,218
Cash and cash equivalents at end of year (Note 3)	¥11,016	¥16,767	¥18,113	\$146,073

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the consolidated financial statements of TOPPAN FORMS CO., LTD. (the "Company") filed with the Ministry of Finance in accordance with the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards. Effective April 1, 1999, the consolidated statements of cash flows have been required as part of the basic financial statements in accordance with an amendment of the "Regulations Concerning Terminology, Form and Method of Preparation of Consolidated Financial Statements" dated April 16, 1999. Therefore, consolidated statements of cash flows for the year ended March 31, 2000 and 2001 have been prepared in accordance with the amendment standard, and a consolidated statement of cash flows for the year ended March 31, 1999 has been presented for additional information/comparative purposes. In addition, consolidated statements of shareholders' equity are not required as part of the basic financial statements in Japan but are presented herein as additional information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries except for one subsidiary which has been dormant for long periods.

Investments in all of its affiliated companies of which shareholders are more than 20% and to which the Company has significant influence in their operations, finance and management, are accounted for by the equity method.

In years prior to until March 31, 1999, the differences, if any, between the investment amounts by the Company and underlying book value of net assets in subsidiaries and affiliated companies were allocated to related accounts and the rest had been charged to income over the certain periods. Since the year beginning April 1, 1999, the assets and liabilities of consolidated subsidiaries are incorporated into the financial statements at fair value and the difference between net assets at fair value and the investment amounts are accounted for as goodwill, which is amortized equally over effective periods.

All significant intercompany balances and transactions, and unrealized profit included in assets have been eliminated on consolidation.

(2) 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 thus are near maturity so that they present insignificant risk of changes in value.

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. Some information, provided in the notes to the consolidated financial statements, is not required under accounting principles generally accepted in Japan, but is also presented for the convenience of the readers.

The consolidated financial statements are not intended to present the consolidated financial position, result of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation 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 ¥124=U.S.\$1, the approximate rate of exchange at March 31, 2001. Such translations should not be construed as representations that the Japanese yen amounts could have been or could be converted into U.S. dollars at that or any other rate.

(3) Financial instruments

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese accounting standards for financial instruments.

(a) Derivatives:

Under the new standards, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments".

(b) Securities:

Until March 31, 2000, marketable securities were stated at the lower of average cost or market value, and other securities were stated at average cost.

Under the new standards, securities held by the Company and its consolidated subsidiaries are classified into four categories:

Trading securities are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains and losses on these

securities are reported as a separate component in shareholders' equity at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost.

Under the new standard, trading securities and debt securities due within one year are presented as "current assets" and all other securities are presented as "fixed assets". The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000. There is no impact on the Company's consolidated balance sheet as a result of this reclassification.

As a result of adoption of the new standard, income before income taxes for the year ended March 31, 2001 has increased by ¥413 million (\$3,331 thousand), as compared with the amount which would have been reported if the previous standards had been applied consistently. Also, net unrealized gains on other securities, included in shareholders' equity, have increased by ¥1,037 million (\$8,363 thousand) and deferred tax assets, included in fixed assets, have decreased by ¥927 million (\$7,476 thousand).

(c) Hedge accounting:

Gains and losses arising from changes in fair value of derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally forward exchange and interest rate swap contracts. The related hedged items are trade accounts receivable, payable and long-term debt.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of exchange and interest rate fluctuations. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related items from the commencement of the hedges.

(4) Inventories

Inventories are stated at cost.

Raw materials, supplies and purchased finished goods (supplies) are determined by the first-in, first-out method. Purchased finished goods (machinery), finished products and work-in-process are determined by the specific identification method.

(5) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation, except for buildings, is computed primarily by the declining-balance method at rates based on the estimated useful lives of the assets. Depreciation of buildings of overseas subsidiaries and those acquired by the Company and its domestic consolidated subsidiaries on or after April 1, 1998 is computed by the straight-line method.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized.

(6) Accrued bonuses to employees

Accrued bonuses are provided for the expected payments of employee bonuses for the current fiscal year to those employees serving at the end of the fiscal year.

(7) Accrued bonuses to directors

Required allowances for the retirement of directors, which are calculated based on the Company's bylaw, are provided at the end of the fiscal year. Bonuses to directors are appropriated from retained earnings after shareholders' approval at the general meeting of shareholders, which is held within three months after fiscal year end. These bonuses are generally not deductible for tax purposes.

(8) Pension and severance plans

The Company and certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations covering employee pensions, for a defined benefit tax qualified pension plan and a non-contributory plan.

Until the year ended March 31, 2000, contributions by the Company to the pension fund had been charged to income when paid.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese accounting standards for retirement benefits. In accordance with the new standards, the Company and its domestic consolidated subsidiaries have recorded a liability calculated based on deducting the value of the plan assets from the projected benefit obligation, and then adjusting for the actuarial difference. The unrecognized actuarial difference will be amortized over fifteen years, which is within the average remaining service period of employees, when the difference will be incurred, from the next period by the straight-line method.

As a result of adopting the new standards, the entire net transition obligation of ¥3,088 million (\$24,903 thousand) has been expensed in the current fiscal year and the current benefit cost has increased by ¥2,618 million (\$21,113 thousand) and the operating profit has increased by ¥457 million (\$3,685 thousand). In year 2001, the Company contributed certain marketable equity securities, not including those of its subsidiaries and affiliated companies, to an employee retirement benefit trust with no cash proceeds thereon. The fair value of these securities at the time of contribution was ¥2,249 million (\$18,137 thousand). Upon contribution of these securities, a net unrealized gain of ¥1,399 million (\$11,282 thousand) was realized and was disclosed as "Gain on securities contributed to employee retirement benefit trust" on the consolidated statement of income for the year ended March 31, 2001. As a result, income before income taxes has decreased by ¥1,232 million (\$9,935 thousand).

Most overseas subsidiaries have defined contribution retirement plans, which are available to all employees.

With respect to directors and statutory corporate auditors, provision is made for lump-sum severance indemnities based on internal regulations.

(9) Income taxes

Deferred income taxes are recognized, by using the assets and liabilities method. 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 of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(10) Leases

Finance leases other than those deemed to transfer ownership of properties to lessees are not capitalized and are accounted for in the same manner as operating leases.

(11) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements in the year that appropriations of retained earnings are approved at the general meeting of shareholders.

(12) Foreign currency translation

The assets, liabilities, income and expenses of foreign subsidiaries are translated into Japanese yen at the applicable current rates at the year-end. The translation of assets and liabilities denominated in foreign currency at the year end is made at the current rate. Exchange gains and losses resulting from foreign currency transactions and

translation of assets and liabilities denominated in foreign currencies are included in the consolidated statements of income.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised Japanese accounting standards for foreign currency translation. In accordance with the new standard, the foreign currency translation adjustments account, which was included under "Assets" in the previous accounting period, has, this year, been included in "Shareholders' Equity" and "Minority interest in consolidated subsidiaries."

(13) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 1999 and 2000, have been made to conform to the presentation in the year ended March 31, 2001.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

March 31	Millions of yen			Thousands of
	1999	2000	2001	U.S. dollars
Cash and cash equivalents	¥11,011	¥16,167	¥13,613	\$109,782
Marketable securities	5	600	4,500	36,291
	¥11,016	¥16,767	¥18,113	\$146,073

4 ACCOUNTS BALANCE AND TRANSACTIONS WITH RELATED PARTIES

There are several related party transactions that are mainly purchases of commercial printed products from and sales of business forms products to Toppan Printing Co., Ltd. which owns 58.6% of the common stock of the Company. The transactions were made at arm's length at prices that are considered to be equivalent to market prices.

Sales to Toppan Printing Co., Ltd. for the years ended March 31, 1999, 2000 and 2001 amounted to ¥4,776 million, ¥5,581 million and ¥6,185 million (\$49,879 thousand), respectively. Purchases from Toppan Printing Co., Ltd. for those three years were ¥2,736

million, ¥3,423 million and ¥3,402 million (\$27,435 thousand), respectively. The balance of receivables from Toppan Printing Co., Ltd. as of March 31, 2000 and 2001 amounted to ¥1,591 million and ¥1,834 million (\$14,790 thousand), respectively. The balance of payables to Toppan Printing Co., Ltd. amounted to ¥636 million and ¥470 million (\$3,790 thousand), respectively.

Transactions with non-consolidated subsidiaries and affiliates, were immaterial.

5 MARKETABLE AND INVESTMENT SECURITIES

For 2000 fiscal year, marketable and investment securities include equity, debt and other securities of which the aggregate book value, fair value and unrealized gains are as follows:

March 31	Millions of yen		
	March 31, 2000		
	Book value	Fair value	Unrealized gains/losses
Marketable securities:			
Equity securities	¥ -	¥ -	¥ -
Debt securities and others	600	600	-
	<u>600</u>	<u>600</u>	<u>-</u>
Investment securities:			
Equity securities	5,889	9,897	4,008
Debt securities and others	539	539	-
	<u>6,428</u>	<u>10,436</u>	<u>4,008</u>
Total	<u>¥7,028</u>	<u>¥11,036</u>	<u>¥4,008</u>

The table presented above was prepared in accordance with the previous accounting standards that were effective until March 31, 2000.

Thus, information for 2001 in this format is not applicable.

The following is certain information relating to the aggregate book value and fair value of securities after the adoption of the new standard in 2001.

(i) "Held-to-maturity Securities" whose fair value is readily determinable.

	Millions of yen		
	March 31, 2001		
	Book value	Fair value	Unrealized gains/losses
Securities whose fair values do not exceed their book values on the consolidated balance sheet			
Government bonds, Municipal Bonds, etc.	¥ -	¥ -	¥ -
Corporate Bonds	100	100	-
Others	-	-	-
	<u>¥100</u>	<u>¥100</u>	<u>-</u>

	Thousands of U.S. dollars		
	March 31, 2001		
	Book value	Fair value	Unrealized gains/losses
Securities whose fair values do not exceed their book values on the consolidated balance sheet			
Government bonds, Municipal Bonds, etc.	\$ -	\$ -	\$ -
Corporate Bonds	806	806	-
Others	-	-	-
	<u>\$806</u>	<u>\$806</u>	<u>-</u>

(ii) "Other Securities" whose fair value is readily determinable.

	Millions of yen		
	March 31, 2001		
	Acquisition costs	Fair value (=Book value)	Unrealized gains (losses)
Securities whose fair values exceed their book values on the consolidated balance sheet			
Stocks	¥3,235	¥5,569	¥2,334
Others	51	55	4
Sub total	3,286	5,624	2,338
Securities whose fair values do not exceed their book values on the consolidated balance sheet			
Stocks	2,425	1,917	(508)
Others	624	584	(40)
Sub total	3,049	2,501	(548)
Grand total	¥6,335	¥8,125	¥1,790

	Thousands of U.S. dollars		
	March 31, 2001		
	Acquisition costs	Fair value (=Book value)	Unrealized gains (losses)
Securities whose fair values exceed their book values on the consolidated balance sheet			
Stocks	\$26,090	\$44,911	\$18,821
Others	411	443	32
Sub total	26,501	45,354	18,853
Securities whose fair values do not exceed their book values on the consolidated balance sheet			
Stocks	19,556	15,460	(4,096)
Others	5,032	4,710	(322)
Sub total	24,588	20,170	(4,418)
Grand total	\$51,089	\$65,524	\$14,435

(iii) "Other Securities" sold in the current fiscal year.

	March 31, 2001	
	Millions of yen	Thousands of U.S. dollars
Proceeds from sales of Other Securities	¥35	\$282
Gain on sales of Other Securities	0	0
Loss on sales of Other Securities	32	258

Securities contributed to the employee retirement benefit trust the fair value of which is ¥2,249 million (\$18,137 thousand), and the related gain on those securities of ¥1,399 million (\$11,282) are not included.

(iv) Major securities that are not stated at fair value.

	March 31, 2001	
	Book value	
	Millions of yen	Thousands of U.S. dollars
Other Securities		
Unlisted Stocks (excludes over-the-counter stocks)	¥ 497	\$ 4,008
Others	4,500	36,290
	¥4,997	\$40,298

(v) Schedule of redemption value for Other Securities that have a maturity date and Held-to-maturity Securities.

	Millions of yen			
	Due 2002	Due 2003-2006	Due 2007-2011	Due after 2012
Bonds				
Government Bonds, Municipal Bonds, etc.....	¥ -	¥-	¥-	¥-
Corporate Bonds.....	100	-	-	-
Others.....	-	-	-	-
Others				
Mutual Funds.....	-	-	-	-
	¥100	¥-	¥-	¥-

	Thousands of U.S. dollars			
	Due 2002	Due 2003-2006	Due 2007-2011	Due after 2012
Bonds				
Government Bonds, Municipal Bonds, etc.....	\$ -	\$-	\$-	\$-
Corporate Bonds.....	806	-	-	-
Others.....	-	-	-	-
Others				
Mutual Funds.....	-	-	-	-
	\$806	\$-	\$-	\$-

6 INVENTORIES

Inventories comprise the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Finished products	¥ 7,407	¥ 8,121	\$ 65,492
Purchased finished goods	2,187	2,538	20,468
Work in process	819	924	7,452
Raw materials and supplies	1,923	2,129	17,169
	¥12,336	¥13,712	\$110,581

7 BORROWINGS

Short-term borrowings primarily consist of short-term bank loans of certain overseas subsidiaries. The annual interest rates applicable to the short-term bank loans ranged from 2.00 to 9.50 per cent at March 31, 2001.

Long-term debt at March 31, 2001, comprises the following:

	Millions of yen	Thousands of U.S. dollars
Loans from Japanese banks and others:		
Unsecured—2.0 per cent due 2002.....	¥99	\$798

The aggregate annual maturities of long-term debt during the next five years are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ -	\$ -
2003	16	129
2004	16	129
2005	16	129
2006	51	411
	¥99	\$798

8 PENSION AND SEVERANCE PLANS

The Company and certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations covering employee pensions for a defined benefit tax qualified pension plan and a non-contributory plan. The pension plan provides for annuity payments (or a lump-sum payment at the employees' option) over ten years in varying amounts based on

length of service and salary at the time of retirement for employees with at least twenty years of service. The plan also provides for lump-sum payments of varying amounts to employees who have served less than twenty years.

The pension liabilities for employees as of March 31, 2001 are analyzed as follows:

	March 31, 2001	
	Millions of yen	Thousands of U.S. dollars
(1) Projected benefit obligation	¥24,609	\$198,460
(2) Plan assets at fair value	22,004	177,452
(3) Unfunded benefit obligation (1)-(2)	2,605	21,008
(4) Unrecognized net transition obligation	-	-
(5) Unrecognized actuarial loss	(2,166)	(17,468)
(6) Unrecognized prior service cost	-	-
(7) Pension liabilities recorded on the consolidated balance sheet (3)+(4)+(5)+(6)	439	3,540
(8) Prepaid pension expense	-	-
(9) Pension liabilities for employees (7)-(8)	¥ 439	\$ 3,540

The components of net periodic pension expenses for the year ended March 31, 2001 are as follows:

	March 31, 2001	
	Millions of yen	Thousands of U.S. dollars
(1) Service cost	¥1,402	\$11,306
(2) Interest cost	832	6,710
(3) Expected return on plan assets	(837)	(6,750)
(4) Recognized net transition obligation expense	3,088	24,903
(5) Net periodic pension expense	¥4,485	\$36,169

The assumptions used as of March 31, 2001 are as follows:

	March 31, 2001
(1) Discount rate	3.5%
(2) Expected return on plan assets	4.0%
(3) Method of attributing the projected benefits to periods of service	Straight-line basis
(4) Amortization of unrecognized prior service cost	-
(5) Amortization of unrecognized actuarial gain/loss	Straight-line over 15 years
(6) Amortization of net transition obligation	Recognized entirely at transition

9 SHAREHOLDERS' EQUITY

The Commercial Code of Japan provides that:

- (1) Upon a resolution of the Board of Directors, appropriations for interim cash dividends and the related transfer to the legal reserve as described in (3) may be made from unappropriated retained earnings brought forward;
- (2) All other appropriations of retained earnings, including year end dividends and bonuses to directors and statutory corporate auditors, require approval by the shareholders at the general meeting of shareholders; and
- (3) An amount equal to at least 10 per cent of cash dividends and other cash distributions from retained earnings paid by

company, must be appropriated from retained earnings as a legal reserve; no further appropriation is required when the legal reserve equals 25 per cent of the stated capital.

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. The 2001 year end appropriation of retained earnings of the Company, which was approved at the general meeting of shareholders held in June 2001, is presented below:

	Millions of yen	Thousands of U.S. dollars
Appropriation for:		
Legal reserve	¥ 135	\$ 1,089
Cash dividends, ¥11.00 (\$0.09) per share	1,263	10,185
Bonuses to directors	83	669
General reserve	7,000	56,452
	¥8,481	\$68,395

10 RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure, which is charged to income when incurred, and is included in cost of sales and selling, general and administrative expenses, approximated to ¥1,910 million and

¥2,185 million (\$17,621 thousand) for the year ended March 31, 2000 and 2001, respectively.

11 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses are as follows:

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Salaries and bonuses	¥12,310	¥11,787	¥12,265	\$98,911
Provision for bonuses to employees	1,578	1,426	1,505	12,137
Provision for severance indemnities	104	108	-	-
Depreciation	958	733	673	5,428
Rent expense	4,222	3,856	3,670	29,597
Freight charges	4,966	5,408	5,057	40,782
Research and development expenditure	(*)-	1,901	2,181	17,589
Pension expense	(**)-	(**)-	574	4,629
Others	8,964	8,476	8,035	64,798
Total	¥33,102	¥33,695	¥33,960	\$273,871

(*)The disclosure for research and development expenditures is required under the new Japanese accounting standards from fiscal year beginning April 1, 1999, thus the comparative for the year 1999 is not available.

(**)Contributions to the funded pension plan for the years ended March 31, 1999 and 2000 are included in "Others".

12 INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries include (1) corporation tax, (2) enterprise tax and (3) inhabitant tax which, in aggregate, represent a statutory tax rate

of approximately 42 percent, effective from April 1, 1999.

Significant components of deferred tax assets and liabilities for the year ended March 31, 2000 and 2001 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
(Current assets)			
Deferred tax assets:			
Accrued bonuses	¥ 588	¥ 905	\$ 7,298
Enterprise tax	379	339	2,734
Others	55	78	629
Total	¥1,022	¥1,322	\$10,661
(Fixed assets)			
Deferred tax assets:			
Depreciation	¥ 326	¥ 307	\$ 2,476
Accrued severance indemnities	240	267	2,153
Pension liabilities	-	534	4,307
Bad debt reserve	104	68	549
Unrealized loss on golf membership	94	159	1,282
Unrealized loss on investment securities	98	156	1,258
Others	62	36	290
Total	¥ 924	¥1,527	\$12,315
Deferred tax liabilities:			
Unrealized gain/loss on other securities	-	(754)	(6,081)
Undistributed earnings of foreign subsidiaries	(108)	(126)	(1,016)
Others	-	(58)	(468)
Total	(108)	(938)	(7,565)
Deferred tax assets, net	¥ 816	¥ 589	\$ 4,750
(Long-term liabilities)			
Deferred tax liabilities:			
Depreciation	¥ 165	¥ 161	\$ 1,299
Others	2	-	-
Total	167	161	1,299
Deferred tax assets	(16)	(10)	(81)
Deferred tax liabilities, net	¥ 151	¥ 151	\$ 1,218

The pension liabilities for the year ended March 31, 2001 include a prepaid pension expense amounting to ¥198 million (\$1,597 thousand).

The reconciliation between the statutory tax rate and the income tax rate in the consolidated statements of income is as follows:

	March 31, 2001
Statutory effective tax rate	42.1%
(Reconciliation)	
Entertainment expenses	1.6
Equalization of inhabitant tax	0.7
Others	0.2
Effective income tax rate	44.6%

The disclosure of reconciliation between the statutory effective tax rate and effective income tax rate in the consolidated statements of income is a requirement for fiscal years beginning April 1, 1999, if the difference between the two rates stated above is more than 5% of the statutory effective tax rate. Accordingly, the reconciliation for 1999 and 2000 are not required.

13 LEASES

Finance leases, other than those deemed to transfer ownership of properties to lessees, are not capitalized and are accounted for in the same manner as operating leases. Certain information on such lease

contracts of the Company and its consolidated subsidiaries as a lessee is shown below:

(1) Finance leases, other than those deemed to transfer ownership of properties to lessees, are as follows:

(a) Acquisition costs of leased assets under the finance leases are as follows:

March 31	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Machinery, equipment and vehicles	¥ 715	¥ 911	¥ 1,343	\$ 10,831
Tools and furniture	4,852	6,082	7,084	57,129
Other assets	71	165	183	1,476
Accumulated depreciation	(3,099)	(3,791)	(5,185)	(41,815)
	¥2,539	¥ 3,367	¥ 3,425	\$ 27,621

(b) Future lease payments under finance leases are as follows:

March 31	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Due within one year	¥ 932	¥ 1,209	¥ 1,450	\$ 11,694
Due after more than one year	2,523	3,384	3,701	29,847
	¥3,455	¥4,593	¥5,151	\$41,541

(c) Lease payments and amounts representing depreciation and interest are as follows:

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Lease payments	¥934	¥ 1,237	¥ 1,719	\$13,863
Amount representing depreciation	¥888	¥ 1,383	¥ 1,958	\$15,790
Amount representing interest	¥117	¥ 152	¥ 252	\$ 2,032

(2) Minimum lease payments under non-cancellable operating leases as follows:

March 31	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Due within one year	¥ 550	¥ 629	¥ 492	\$ 3,968
Due after more than one year	2,420	2,363	1,598	12,887
Total minimum lease payments	¥2,970	¥2,992	¥2,090	\$16,855

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Company and its consolidated foreign subsidiaries utilize derivative financial instruments selectively, to hedge foreign exchange risk and floating interest exchange risk.

The contract amount of forward exchange contracts as of March 31, 2000 was ¥61 million. The fair value that was estimated by obtaining quotes from managing banks, amounted to ¥61 million.

The contract amount of interest rate swaps as of March 31, 2000 was ¥198 million, and its fair value was approximately same amount.

As of March 31, 2001, there are no contract amounts outstanding for derivatives except for those held for "hedge accounting" purposes as described in Note 2 (3) (c) above.

15 PER SHARE INFORMATION

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year which has been adjusted to reflect stock splits made on August 1, 1997.

Cash dividends per share shown in the consolidated statements of income represent the actual amounts applicable to earnings in the respective years.

16 CONTINGENT LIABILITIES

There are no significant pending lawsuits of the Company and its consolidated subsidiaries as defendants based upon information currently available.

17 SEGMENT INFORMATION

(1) Segments by industry

March 31, 1999	Millions of yen				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	¥137,919	¥37,878	¥175,797	¥ -	¥175,797
(2) Inter-segment	0	2,627	2,627	(2,627)	-
Total	137,919	40,505	178,424	(2,627)	175,797
Operating expenses	120,260	39,032	159,292	1,254	160,546
Operating profit	¥ 17,659	¥ 1,473	¥ 19,132	(¥ 3,881)	¥ 15,251
II. Assets, depreciation and capital expenditure:					
Assets	¥89,261	¥20,727	¥109,988	¥16,851	¥126,839
Depreciation	4,968	353	5,321	-	5,321
Capital expenditure	15,741	24	15,765	-	15,765

March 31, 2000	Millions of yen				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	¥143,674	¥36,847	¥180,521	¥ -	¥180,521
(2) Inter-segment	227	711	938	(938)	-
Total	143,901	37,558	181,459	(938)	180,521
Operating expenses	123,296	36,594	159,890	3,133	163,023
Operating profit	¥ 20,605	¥ 964	¥ 21,569	(¥ 4,071)	¥ 17,498
II. Assets, depreciation and capital expenditure:					
Assets	¥95,596	¥11,075	¥106,671	¥26,978	¥133,649
Depreciation	4,883	83	4,966	-	4,966
Capital expenditure	5,514	15	5,529	-	5,529

March 31, 2001	Millions of yen				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	¥151,848	¥37,617	¥189,465	¥ -	¥189,465
(2) Inter-segment	183	1,038	1,221	(1,221)	-
Total	152,031	38,655	190,686	(1,221)	189,465
Operating expenses	131,172	37,644	168,816	2,555	171,371
Operating profit	¥ 20,859	¥ 1,011	¥ 21,870	¥(3,776)	¥ 18,094
II. Assets, depreciation and capital expenditure:					
Assets	¥103,982	¥13,085	¥117,067	¥24,448	¥141,515
Depreciation	4,695	87	4,782	18	4,800
Capital expenditure	5,935	6	5,941	-	5,941

March 31, 2001	Thousands of U.S. dollars				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	\$1,224,580	\$303,363	\$1,527,943	\$ -	\$1,527,943
(2) Inter-segment	1,476	8,371	9,847	(9,847)	-
Total	1,226,056	311,734	1,537,790	(9,847)	1,527,943
Operating expenses	1,057,838	303,581	1,361,419	20,605	1,382,024
Operating profit	\$ 168,218	\$ 8,153	\$ 176,371	\$(30,452)	\$ 145,919
II. Assets, depreciation and capital expenditure:					
Assets	\$ 838,565	\$105,524	\$ 944,089	\$197,161	\$1,141,250
Depreciation	37,863	702	38,565	145	38,710
Capital expenditure	47,863	48	47,911	-	47,911

- Note:
- Segment information by business activity is determined by considering the product line, the products market, and management control of the business.
 - Main products of each business segment:
 - Printing business: Printing of business forms and Data Printing Services.
 - Other businesses: Sales of supplies and equipment related to printing business, business information operating services and other.
 - Corporate expenses out of operating expenses mainly includes administrative expenses of the Company.
 - "Assets" mainly includes short-term deposits and long-term investments of the Company.
 - From the fiscal year ended March 31, 2000, certain business of the Company has been reclassified among industry segments. New-media-related businesses, formerly included in "Other business", were transferred to the "Printing business" segment since they have a stronger relationship with "Printing business". The effect of this change was immaterial.
 - Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new standard for financial instruments. As a result of adopting the new standard, assets in the "Elimination/Corporate" column as of March 31, 2001 increased by ¥1,275 million (\$10,282 thousand) as compared with the amount which would have been reported if the previous standard had been applied consistently.
 - Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new standards for retirement benefits. As a result of adopting the new standard, the operating profits shown in the "Printing business", "Other business", and the "Elimination/Corporate" columns for the year then ended March 31, 2001 decreased by ¥357 million (\$2,879 thousand), ¥86 million (\$694 thousand), and ¥14 million (\$113 thousand), respectively. Accordingly, operating profit for the year ended March 31, 2001 increased by ¥457 million (\$3,685 thousand) as compared with the amount which would have been reported if the previous standards had been applied consistently.
 - Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency transactions. As a result of adopting the revised standard, assets in the "Elimination/Corporate" column, as of March 31, 2001 decreased by ¥692 million (\$5,581 thousand) as compared with the amount which would have been reported if the previous standards had been applied consistently.

(2) Geographic Areas

The sales of the consolidated subsidiaries located in countries or regions other than Japan are not presented since they are immaterial.

Report of Independent Accountants

June 28, 2001

To the Board of Directors
of TOPPAN FORMS CO., LTD.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of TOPPAN FORMS CO., LTD. and its consolidated subsidiaries at March 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in Japan. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in Japan which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



PricewaterhouseCoopers
(Certified Public Accountants)

Notice to Readers:

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Accordingly, the accompanying consolidated balance sheets and related consolidated statements of income, of shareholders' equity and of cash flows and their utilization are not designed for those who are not informed about Japanese accounting principles, procedures and practices.

The standards, procedures and practices utilized in Japan to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Japan.

Principal Subsidiaries and Affiliates

(As of June 28, 2001)

Name	Country	Main business	Issued capital (Thousands)	Equity held by the Company (%)
Toppan Forms (Hamamatsu) Co., Ltd.	Japan	Manufacture of business forms	¥ 100,000	100.0
Toppan Forms Operation Co., Ltd.	Japan	Operation and administration of computers	¥ 100,000	100.0
Toppan Forms Process Co., Ltd.	Japan	Processing of business forms and DPS operations	¥ 100,000	100.0
Techno Toppan Forms Co., Ltd.	Japan	Sale, maintenance, and repair of office equipment	¥ 100,000	100.0
Toppan Forms (Sanyo) Co., Ltd.	Japan	Manufacture of business forms	¥ 50,000	100.0
Toppan Forms Logistics and Services Co., Ltd.	Japan	Distribution, delivery, and storage services	¥ 50,000	100.0
T.F. Company Limited	Hong Kong	Holding company	HK\$15,000	100.0
Toppan Forms Card Technologies Ltd.	Hong Kong	Manufacture and sale of plastic cards; sale of card-related products	HK\$ 2,000	70.0 ^{*1}
Toppan Forms (Hong Kong) Ltd.	Hong Kong	Manufacture and sale of business forms; sale of plastic cards, computer supplies, and office automation machines	HK\$10,000	70.0 ^{*2}
Toppan Forms (S) Pte. Ltd.	Singapore	Manufacture and sale of business forms; sale of machines for processing business forms	US\$ 1,226	100.0 ^{*3}

Total number of subsidiaries: 18

Total number of affiliates: 7

^{*1} 30.0 percent directly owned by the Company and 40.0 percent indirectly owned through T.F. Company Limited.

^{*2} Indirectly owned through T.F. Company Limited.

^{*3} 52.3 percent directly owned by the Company and 47.7 percent indirectly owned through T.F. Company Limited.

Board of Directors

(As of June 28, 2001)

PRESIDENT AND REPRESENTATIVE DIRECTOR

Yasuhiro Fukuda

EXECUTIVE VICE PRESIDENT

Takashi Sano

SENIOR MANAGING DIRECTORS

Mineo Nagayasu

Masanori Akiyama

MANAGING DIRECTORS

Mikihiko Shijo

Masahiro Seki

Shigeyuki Yasunaga

Ryuji Ouchi

DIRECTORS

Naoki Adachi

Masaki Watanabe

Tadashi Ichii

Yoshifusa Enomoto

Hiroshi Miyazaki

Takeo Sugi

Hiroyuki Shimizu

Kazuo Kato

Masamichi Kuroda

Michikata Kono

Kenji Osanai

STATUTORY AUDITORS

Tadao Masuda (full-time)

Tsuneo Mogi (full-time)

Masatsugu Mitsugi

Takeshi Toyama

Corporate Data

(As of March 31, 2001)

HEAD OFFICE

Ochanomizu Square,

6, Kanda Surugadai 1-chome,

Chiyoda-ku, Tokyo 101-8303, Japan

Tel: 03-3259-2417

DATE OF ESTABLISHMENT

May 1955

SHAREHOLDERS' EQUITY

¥89,292 million

COMMON STOCK

Authorized: 400,000,000 shares

Issued: 115,000,000 shares

STOCK LISTING

Tokyo Stock Exchange

NUMBER OF EMPLOYEES

6,165

TOPPAN FORMS CO.,LTD.

Ochanomizu Square, 6, Kanda Surugadai 1-chome,
Chiyoda-ku, Tokyo 101-8303, Japan
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