



Consolidated Financial Highlights

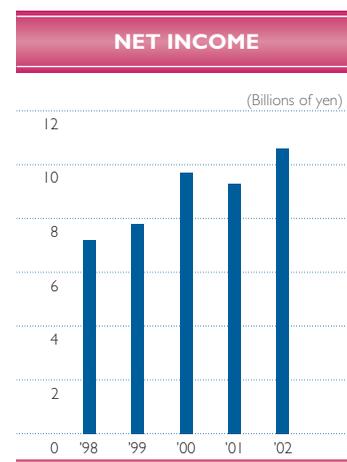
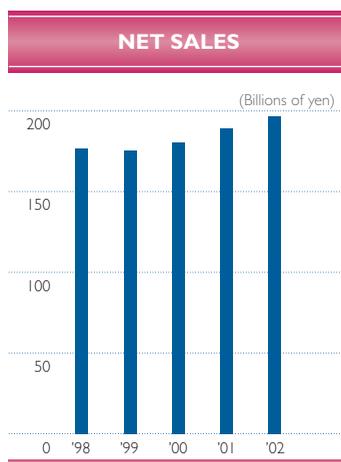
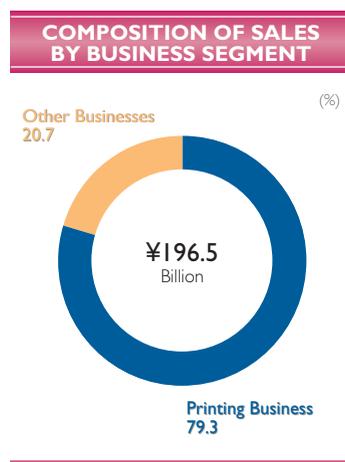
Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
For the year:				
Net Sales	¥180,521	¥189,465	¥196,489	\$1,477,361
Operating Profit	17,498	18,094	18,888	142,015
Net Income	9,710	9,272	10,584	79,579
At year-end:				
Shareholders' Equity	¥ 82,481	¥ 89,292	¥ 95,955	\$ 721,466
Total Assets	133,649	141,515	150,979	1,135,180
Cash and cash equivalents	16,167	13,613	19,973	150,173
Total liabilities	51,168	52,223	55,024	413,714
		Yen		U.S. dollars

Per share data:

	Yen			U.S. dollars
Net Income				
Basic	¥84.44	¥80.68	¥92.21	\$0.69
Diluted	—	—	—	—
Cash Dividends	20.00	21.00	23.00	0.17

Note: U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥133=U.S.\$1, as at March 31, 2002.



Contents

Profile	1	Research and Development.....	14
To Our Shareholders and Friends.....	2	Network.....	15
Staying Ahead.....	4	Financial Section.....	16
Review of Operations.....	10	Principal Subsidiaries and Affiliates	38
Printing Business.....	11	Board of Directors.....	39
Other Businesses.....	13	Corporate Data.....	39

Toppan Forms Co., Ltd., a leader in the business forms industry, draws on its years of experience and the trust of its customers to offer a wide range of business forms and advanced products and services that meet market needs.

Toppan Forms' Data Print Services (DPS) operations combine the Company's business forms with information processing expertise to support the administrative operations of customers, from editing and processing to printing and distribution. In an environment marked by rapid expansion in outsourcing, the Company's DPS operations continue to record growth as a core business that is supported by a combination of Toppan Forms' innovative thinking and collective strengths.

In addition to paper-based media, Toppan Forms is expanding its fields of business with the development of new products and services that support the flow of digital data over information networks.

To realize its goal of staying ahead, Toppan Forms will continue to provide integrated information management services to its broad base of customers by proposing the optimal solutions to their needs.

Staying **Ahead**



To Our Shareholders and Friends



Yasuhiro Fukuda
President and Representative Director

OPERATING ENVIRONMENT AND RESULTS IN FISCAL 2002

In fiscal 2002, ended March 31, 2002, economic conditions in Japan remained challenging. Unemployment and bankruptcies were high, while consumer spending and capital investment remained weak.

The business forms industry faced a continued difficult operating environment. Amid a lengthening business recession, corporate cost reduction measures led to strong downward pressure on prices and the increased use of electronic media accompanied the rapid growth of digitization, resulting in substantial changes in the structure of demand.

In this environment, Toppan Forms worked to improve its performance by reinforcing its customer orientation, striving to better meet market needs, and pursuing increased efficiency throughout its operational activities.

In fiscal 2002, the Company's consolidated net sales increased 3.7% from the previous year, to ¥196.5 billion. Operating profit rose 4.4%, to ¥18.9 billion, and net income was up 14.2%, to ¥10.6 billion, a record high for Toppan

Forms. With net income per share of ¥92.21, the Company increased total cash dividends per share for the year by ¥2.00, to ¥23.00, resulting in a payout ratio in fiscal 2002 of 25.2%. Return on assets was 7.2%, and return on equity was 11.4%. Capital expenditure totaled ¥6.2 billion.

BUSINESS DIVISIONS

Printing Business

In business forms, our flagship products in this segment, reforms and deregulation supported increased sales of mail-related items, such as POSTEX[®] sealed postcards, and of printed materials used in sales promotions. However, sales of conventional products decreased slightly from the previous year. The principal reasons for this decline were lower demand, which was attributable to corporate rationalization measures and to a shift to general-purpose forms, and lower prices, which resulted from intensified sales competition.

In DPS operations, Toppan Forms recorded a strong performance in fiscal 2002. We worked to develop new demand with variable full-color printing. Financial services companies seeking to strengthen customer relations ordered personalized brochures, and distance learning companies ordered personalized study materials. We also received new orders from customers outsourcing direct mail, business mail, and other administrative functions.

Other Businesses

In our supplies operations, although competition continued to intensify, we succeeded in increasing sales of printer-related consumables by expanding the range of products we handle, and our performance was strong overall. In equipment, we recorded higher orders for laborsaving system equipment, and, in services, we registered an increase in orders for network management contracts. As a result, sales in this segment were favorable.

Continued Success in Business Forms

Business forms, which account for 55% of our sales, have always been our most important source of profits. Today, the market for business forms is mature, even considering the fluctuations inherent in product life cycles. Nonetheless, we maintain a leading share of the domestic business forms market, and even in the face of intensifying price competition we are gradually expanding our market share. In the future,

the business forms market will be marked by higher value added, and we are confident that we will be able to maintain our dominant market position. We will work to achieve a stable level of profitability by reorganizing our current ordering and production systems to realize the optimal mix of production facilities for market demand and by further increasing efficiency in administrative areas. In addition, we will respond to changing market needs by using original technologies in R&D activities that target the creation of more-advanced, multifunctional products and services.

Medium to Long Term Operational Strategy

The progress of information technology (IT) and the full-fledged arrival of the broadband era are currently supporting the development of a new communications environment. With the shift from traditional paper-based media to electronic media, the structure of the business forms industry is undergoing substantial change. However, Toppan Forms has already responded to these changes with a focus on its mainstay business forms operations and its DPS operations, which have become the new driver of the Company's growth. In the future, we will work to create value for customers as an integrated information management services company supported by a core of technologies drawn from business forms and DPS operations. At the same time, as a company that offers one-stop solutions to information-related needs, we will work to expand our service lineup.

In addition to paper-based media, such as business forms and DPS, we will develop new applications for digital media, including electronic documents and distribution, centered on the Internet.

We consider environmental preservation to be an important management priority, and we are working to reduce the environmental impact of our operations. At the same time, we are making a strong contribution to environmental issues by developing environmentally friendly products. In the year under review, the Hino Plant received ISO 14001 certification.

■ CORPORATE GOVERNANCE

The shareholders' equity that supports the Company's operational activities comprises funds that have been entrusted to Toppan Forms by its shareholders. Our most important duties are to utilize those funds efficiently to produce stable growth and then to provide a stable return to shareholders and

to raise return on equity.

Our policy is to increase enterprise value by using retained earnings for the rationalization of existing equipment, the implementation of laborsaving measures, the development of new operations, and research and development in order to prepare the foundation for future profitability. Through our Internet web site and other means of communication, we will work to actively disclose such information as operational overviews and settlements of accounts. Our goal is transparent and open management.

■ OUTLOOK FOR FISCAL 2003

The Japanese economy shows no signs of recovery, and business conditions are expected to continue to undergo dramatic change. The operating environment in the business forms industry will likely be affected by a growing share of printing demand accounted for by digital technologies and by price declines stemming from intensified competition, and as a result the development of aggressive countermeasures will be of the utmost importance.

In this setting, we will reinforce our market orientation and offer high-value-added services through proposals of solutions. To that end, we will strive to reform our operational structure; concentrate personnel and other management resources on key fields; aggressively raise our planning and development capabilities and our cost competitiveness; and bolster our management foundation. Together with other Group companies, we will strive to be a corporate group that earns the trust of its customers and to further improve our performance.

I would like to ask our shareholders and investors for their continued support in the years ahead.

June 2002



Yasuhiro Fukuda
President and Representative Director

Staying Ahead

Over many years as a leader in business forms, Toppan Forms has accumulated a wide array of specialized skills and the ability to apply those skills to a range of problems. We have received strong support for the key words that underlie our operations—customer focus—and for our quality control. That support has grown into the solid foundation of trust on which our business operates and is one of the major reasons why we have been able to maintain a leading share of the business forms market.

In an environment characterized by the emergence of global standards and by a full-fledged revolution in IT, companies are implementing measures designed to ensure their survival in competitive markets. Our close customer relationships provide us with access to the latest information, and we are working to further improve our technologies and to offer new products and services so that we can respond accurately and rapidly to customer needs.

One day faster. One degree broader. One level deeper. Those concepts provide the foundation for our growth.

LEVERAGING OUR EXPERTISE IN INFORMATION MANAGEMENT

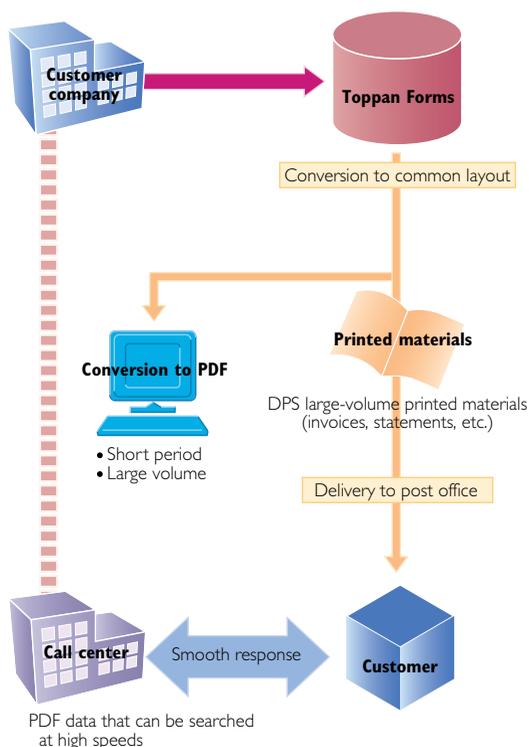
In markets changed by the progress of globalization, companies in Japan are faced with the need to enhance their competitiveness by improving their profitability. As a result, there is a shift away from the traditional practice in Japan of doing everything in-house. Rather, the trend toward outsourcing, where work that is inefficient or expensive to perform in-house is done by outside specialists, is accelerating. Outsourcing makes fixed expenses more variable and facilitates a flexible response to changing business conditions. In addition, the efficiency of management is enhanced when in-house resources are focused on core competencies. In the future, outsourcing will be utilized in a wide range of fields, and, according to research conducted by the Ministry of Economy, Trade, and Industry (METI), data processing related tasks is the field that is leading the use of outsourcing among domestic companies.

Toppan Forms has supported the data processing needs of its customers by offering business forms order-made to the specific needs of each customer. Currently, we view the growth of the outsourcing market as a business opportunity, and we are using the specialized technologies and know-how that we have acquired to make the transition to an integrated information management services company that provides customers with total service from information management, editing, and processing to printing and delivery.

Due to the distinctive nature of this business, once we obtain a new customer they tend to remain a customer over the long term. We are working to obtain orders for new services through consulting-based sales activities targeting existing customers that enable us to quickly grasp the challenges and needs of our customers and propose solutions. By introducing our entire existing client base as well as potential new customers to the successes that we have achieved, we will clarify the needs of companies that are considering the outsourcing of data processing tasks and thereby expand our operations in this field.

The course of change in our operating environment is affected by more than just advances in IT. Broadband communications infrastructure, such as optical fiber networks, is taking shape in Japan and other countries around the world, and the

HIGH-SPEED SEARCHING OF LARGE VOLUMES OF PDF DATA



In addition to providing PDF electronic media with the same content as paper-based DPS products, we have developed a high-speed searching system for PDF slips. This service was developed to meet the needs of companies that want to raise customer satisfaction with a smooth response to inquiries from their customers.



More Effective and Attractive

CASE STUDY I *One-Pack Mail: A Publishing Company*

A leading publishing company conducted a marketing campaign, centered on direct mail, to increase the number of subscribers to a monthly magazine targeting managers and executives. However, the number of readers did not increase as expected, and the company, thinking it had reached the limits of direct mail, took steps to look for another method.

The company's major concerns about direct mail were that:

- recipients do not notice it because they get so much other direct mail and
- it does not effectively communicate the distinctive strengths of the magazine.

What the company wanted from direct mail was:

- more-personalized contents,
- an appearance different from that of other direct mail, including size and materials, and
- larger advertisements.

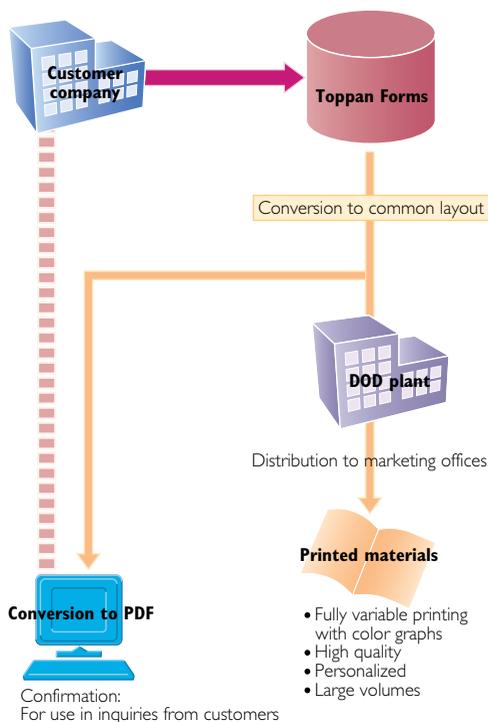
Toppan Forms proposed One-Pack Mail, which it launched

in December 2001. The response to One-Pack Mail was strong, and new subscribers signed up for the magazine. The direct mail specifications called for an A4-sized envelope made with well-textured paper and the following contents:

- a personalized greeting,
- an application form with name and address already entered, and
- a pamphlet modeled on the magazine.

Our One-Pack Mail differs from conventional, standard-sized direct mail. The customer can choose the size—up to B4—and the material for the envelope—attractive film or paper. A wide range of materials can be enclosed, including postcards, application and other forms, reply envelopes, catalogs, flyers, and pamphlets. In addition, items other than printed materials, such as videos, CD-ROMs, and product samples, can also be included, even in nonstandard sizes. Moreover, the product offers excellent reliability. Information used in matching control that is of no use to the recipient is printed in invisible stealth ink, so the design is not affected.

ESTABLISHMENT OF DIGITAL FULL-COLOR VARIABLE INFORMATION PRINTING SYSTEM



With DOD, we can create top-quality reports in A4-sized booklets that contain high-resolution, full-color printing, and variable printed color graphs while simultaneously producing an identical electronic document.

digitization of communications is expected to accelerate not only for in-house communications but also for B2B and B2C activities. Faced with these structural changes in the marketplace, Toppan Forms will respond to the wave of progress in IT and create value for customers by offering integrated information management services that draw on its core technologies in business forms and DPS operations.

■ FORGING INTO THE LEAD IN D-SERVICES

Toppan Forms is receiving large orders for DPS outsourcing from companies in industries that are undergoing significant reorganization in a short time frame, such as the telecommunications and financial services industries. Companies in these industries are large and the customer databases that they manage contain sensitive information, entailing extremely high privacy requirements. Accordingly, when handling personal information, such as the statements sent to customers by telecommunications companies and financial services institutions, a high degree of security is required.

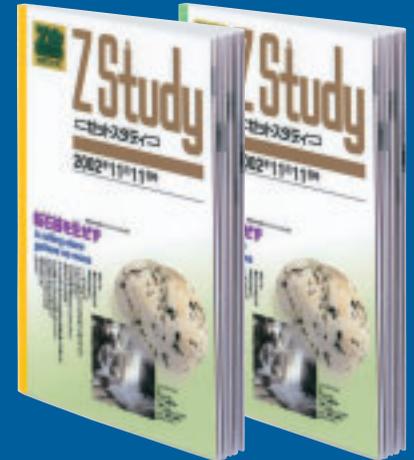
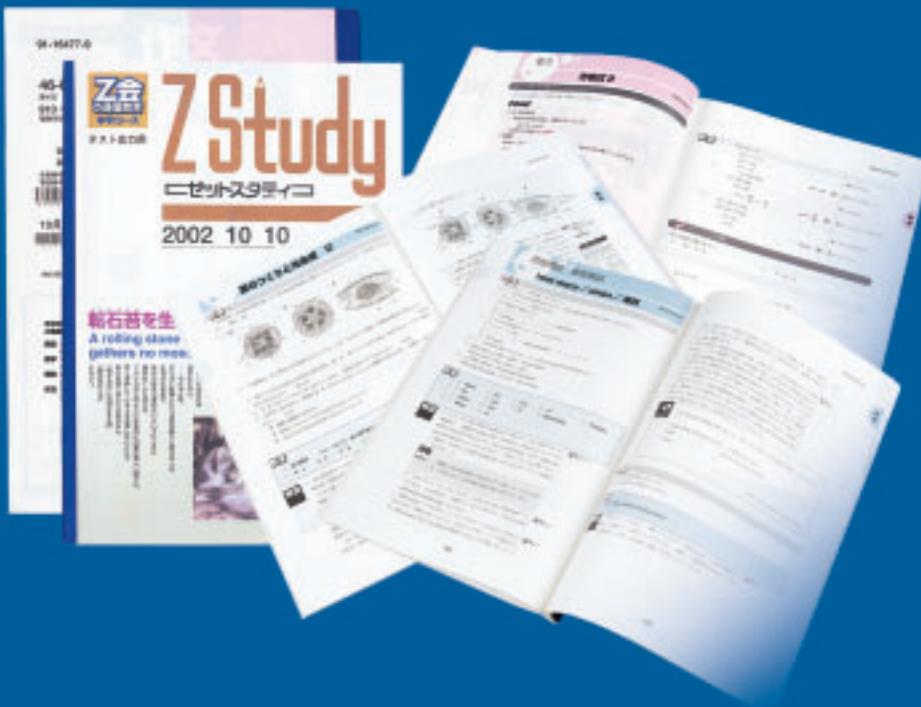
In bolstering its position as an information management services company, Toppan Forms considers the ability to ensure confidentiality to be as high a priority as the enhancement of technical skills. In this environment, it has become increasingly important to receive certification from a third-party, public institution that we are handling the personal information entrusted to us by our customers in an appropriate manner. During the year under review, the General Production Division received such certification after Japan Information Processing Development Corporation, an organization affiliated with METI, conducted an evaluation and certified that we had instituted a JIS Q15001 compliant program and were handling personal information appropriately. With the receipt of this certification, we have taken steps to further increase the reliability of our services, such as introducing a state-of-the-art security system.

Adding More Value with DPS and DOD

Even as the use of outsourcing for administrative tasks increases, companies are utilizing the Internet to implement detailed marketing plans. Many companies are searching for ways to provide highly customer oriented services that enable their customers to differentiate the company from its competition. As a result, there is a specific need for tailor-made information services that handle all types of data, including graphs and photographs, with variable data at the level of the individual. To meet these advanced needs, Toppan Forms had to create technology to edit and process information with varying data attributes and to develop new types of services.

In this setting, we introduced our Digital Print On Demand (DOD) service. With full-color, on-demand variable printing, this service offers the editing, processing, and printing of even small lots of variable information. DOD can handle an extremely wide range of variable information, from characters, pictures, and colors to graphics, layouts, and numbers of pages. Single-pass, automated processing of this type of information requires advanced software development and technical skills and abundant experience, and DOD has become one of Toppan Forms' competitive strengths.

As an information management services company, Toppan Forms is striving to enhance its ability to supply printed materials in the rapidly growing area of one-to-one marketing. The market for these services and the applications used to provide



More Personalized and Targeted

CASE STUDY 2

Digital Print On Demand: A Distance Learning Organization

A distance learning organization, anticipated an increasingly diverse teaching environment accompanying the implementation of the April 2002 teaching guidelines, and, in addition to enhancing its traditional methods based on individual corrections, it also considered completely redoing its teaching materials. Up to that point, distance learning typically involved a cycle of the organization sending out the same teaching materials and the students returning answer sheets. The production of personalized teaching materials in accordance with the needs of individual students was limited.

Toppan Forms proposed the creation of new teaching materials using DOD technology.

The proposal included:

- a complete transition from uniform teaching materials to personalized teaching materials and

- the use of on-demand supply to shorten delivery times, eliminate the need for warehouses, and reduce resource consumption.

In February 2002, the distance learning company began to offer students the freedom to choose what to study in accordance with their abilities and interests. Key features of the materials include:

- a range of components—texts, practice exercises, tests, and answer sheets with students' names,
- the ability to combine these components to meet student needs, and
- lengths ranging from 10 to 350 pages.

These completely personalized teaching materials, which are not available from other distance learning companies, offer full-color, high-quality digital printed publications. This application marks a turning point in the printing industry, which has traditionally focused on producing large volumes of the same publication.

them are not yet mature, an indication of the strong growth in this field. That is why Toppan Forms is working to bolster its technical development and marketing capabilities.

CULTIVATING NEW HORIZONS IN NET-RELATED SERVICES

The methods used by customers to transmit information have diversified considerably in recent years. In place of paper-based media and mail, a substantial percentage of data is now digitized, and it is possible to send data directly to such devices as personal computers and cellular phones over the Internet.

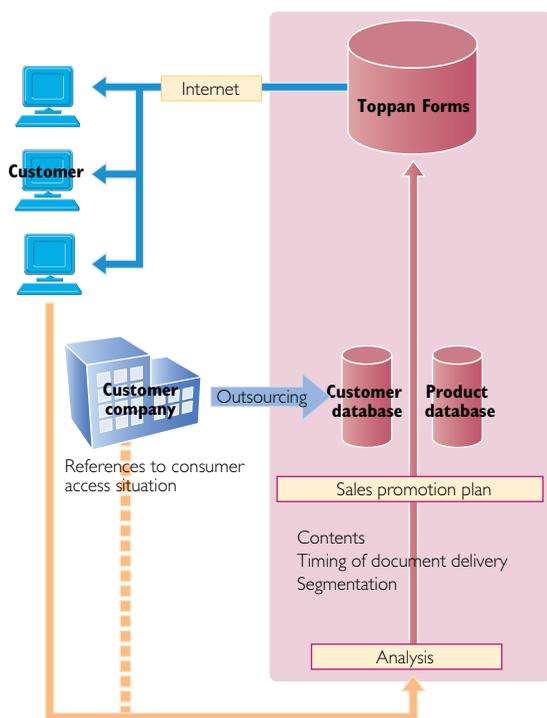
Toppan Forms was the first company in its industry to grasp these structural changes in information transmission and, making full use of its experience and know-how in business forms and DPS, the Company has introduced a range of new services to meet emerging needs. These include a service that enhances e-mail with the addition of express mail, registered mail, and security functions as well as Cyber DM, a sales promotion system that combines paper-based direct mail with web functionality. Also, in response to requests from customers using DOD, we have developed a service that involves reediting and processing stored data to make it possible to access the data not only in the form of printed materials but also over an in-house intranet. The information can also be transmitted outside the company. We have already received an order from a leading life insurance company, and we plan to bolster our marketing to financial institutions, which utilize one-to-one marketing to provide a detailed response to the needs of individual customers.

As the environment for data communications takes shape, a growing number of companies are using e-learning management systems. We have formed an alliance with click2learn.com.inc to sell online training systems to companies, and we are now working to expand orders for e-learning materials by offering the content from paper-based materials in designs that are easier to understand.

Toppan Forms considers business forms to be information tools, and the Company has consistently worked to add more value in the areas of entering data into, reading, and otherwise using its forms by continually implementing product improvement and development activities. In response to market needs for outsourcing, we developed our DPS operations by integrating data processing and printing services with business forms. At the same time, we turned our attention to the effective use of databases developed through administration-oriented DPS operations. In this field, we have drawn on our original business forms and data print technologies to develop direct mail products for use as sales promotion tools. In addition, in conjunction with advances in digital media and the Internet, we are using our strengths in document handling, data processing, and database administration to expand into digital media and network-related businesses and thereby broaden the scope of application of our information tools.

To become an information management services company, we must provide optimal information management solutions that are suitable for an operating environment that includes a large number of individual customer companies. With a flexible approach to tie-ups with other companies and top priority given to the maintenance of a strong customer focus, we will build a system that will enable us to be the first to grasp emerging market needs and to respond rapidly.

E-MARKETING



Toppan Forms has signed a strategic partnership agreement with Digital Impact, of the United States. This cross-marketing approach, which combines Digital Impact's strengths in online direct marketing solutions with our expertise in digital data distribution and one-to-one printed materials for sales promotions, is the first of its kind in Japan.



More Efficient and Useful

CASE STUDY 3

Electronic Regulations Manuals: A Regional Bank

A leading regional bank was experiencing a number of problems with the regulations manuals for its services. Because the conventional manuals were printed, they

- could not be updated in a timely fashion,
- required storage space, and
- required the expense of printing when updated.

In addition, from the viewpoint of improving services, the bank needed to

- enhance teller window support and
- improve customer service.

Faced with the limits of printed materials and the need to improve services, the bank began to search for solutions. Toppan Forms considered the use and handling of the bank's operational regulations manuals and then proposed electronic regulations manuals made with a specialized system. The convenience of this approach was evaluated highly, and the decision was made to use the electronic manuals, which have the following advantages:

- Existing hardware can be used for viewing and searching.
- The digitized database can be used with LAN, CD-ROM,

printing, and other technologies, making it one-source, multiuse.

- Changes and revisions are easy to perform using MS Word.
- Password-based security functions are included.
- The search engine has the ability to manage change and revision histories.
- Viewability has been increased through a screen design that is easy to see and understand.
- Efficiency in searching is facilitated through such functions as index, option, and full text searching.

In addition, because the manuals are electronic, they offer such strengths as the following:

- Storage space and printing expenditures for revisions are not required.
- Customer requests can be met quickly because operation is easy.
- The manuals contribute to improved efficiency in control and administrative areas.

The manuals have made a contribution to the bank that extends to cost control, efficiency, and customer service as well as to environmental conservation.

Review of Operations

In fiscal 2002, the ratios of consolidated to non-consolidated net sales and net income were 1.08 and 0.97, respectively. Because the difference between the two figures is small, non-consolidated figures have been used in this section as they offer a clearer picture of divisional performance.

Printing operations represent the Company's core business segment and are divided into two main categories: business forms and data print services.

NET SALES BY TYPE OF BUSINESS (Non-consolidated basis, unaudited)



Note: The above breakdown of net sales by type of business has been presented for reference only and is not consistent with segment information presented in the Notes to Consolidated Financial Statements.

The corresponding shaded areas indicate the approximate share of total non-consolidated net sales.

PRINTING BUSINESS

■ BUSINESS FORMS

■ Business Forms

- Ecology business forms
- EX forms
- POSTEX® sealed postcards
- DM environmentally friendly window envelopes

■ MULTIMEDIA- AND IC-RELATED PRODUCTS (IMS)

- Digital Delivery Services
- Electronic document management systems
- e-mail marketing
- e-learning solutions and business training services

■ DATA PRINT SERVICES

■ Data Print Services (DPS)

- Business mail for notifications
- DM for sales promotions
- One-Pack Mail

■ Digital Print on Demand (DOD)

- Certificates
- Various types of pamphlets
- Picture scrolls
- Personalized educational materials

OTHER BUSINESSES

■ EQUIPMENT AND SERVICES

- Sealers that process printed business forms into envelopes and postcards
- Automated paper feeders for high-speed printers
- Card printers
- Dispatch of personnel

■ OFFICE SUPPLIES

- Magnetic media
- Printer toner cartridges and drums
- Paper products

PRINTING BUSINESS

Printing Business operations, which comprise Toppan Forms' core business segment, encompass a wide range of printed materials and are divided into two principal categories: business forms and data print services (DPS). During fiscal 2002, sales in printing business operations increased 3.2% from the previous year, to ¥146.1 billion, accounting for 79.7% of the Company's net sales.

Business Forms

The Business Forms Division is organized into two major product categories: business forms, which handles a range of forms and related products, and multimedia- and IC-related products, which deals with Information Management Services (IMS).

Business Forms

Business forms, which are the mainstay of the Company's operations, accounted for 55.1% of net sales in the year under

review. This segment's net sales include sales of various forms as well as mailing envelopes, catalogs, pamphlets, and non-IC cards.

In comparison with the previous year, the contribution to net sales from this category was down 4.1 percentage points. Lower product prices due to weak demand, which stemmed from sluggish economic conditions, and to corporate cost-cutting measures resulted in a challenging operating environment. As a result, sales in this segment declined 3.0%, to ¥101.0 billion.

In this setting, we reinforced our customer orientation, increased the convenience and safety of paper-based media, and aggressively introduced new products with an emphasis on more-advanced functions, multifunctionality, environmental friendliness, and security. We also worked to increase our share of a shrinking market by maintaining our sales at the current level. In addition, we instituted proposal-based marketing activities that met customer needs and worked to improve

the corporate constitution by increasing efficiency in the production process, including Group companies.

During fiscal 2002, sales of ecology forms rose 19.8%; sales of EX forms, used in place of transport and delivery slips, grew 45.1%; and sales of POSTEX® and other mailing forms increased 7.6%.

In the year under review, we began to take orders for Pocket ROM Packages, a product that combines card-type CD-ROMs and direct mail materials and uses DPS technology to facilitate personalized printing. In comparison with conventional CD-ROMs, card-type CD-ROMs are compact and can be sent at a lower cost, and as a result opportunities for their use as corporate sales promotion tools are increasing. Toppan Forms provides integrated services, from the planning and production of CD-ROMs and direct mail materials to mailing. In conjunction with variable printing of customer information, we offer high-impact, personalized direct mail services.



Postex-III ECO100

This full-color sealed postcard, which uses 100% recycled paper and a non-polluting, non-solvent-based varnish, helps to reduce the burden on the environment.



Pocket ROM Packages

This original direct mail product combines card-type CD-ROMs and Toppan Forms' DPS technology to offer personalized printing in a highly effective sales promotion tool.

In related printing operations, due to an increase in orders for integrated planning proposals, centered on sales promotions, demand was strong for such products as catalogs, pamphlets, and mailing envelopes. Sales in this category were up slightly. In non-IC cards, we worked to market existing card types, such as plastic cards and point cards, and to develop business consulting systems that utilize those cards, and sales increased by small margin.

Multimedia and IC-Related Products

Although the volume of sales in the multimedia- and IC-related products category is still small, Toppan Forms sees it as a strategic business and is devoting substantial resources to establishing a position in this field. Sales in this category were ¥2.6 billion in fiscal 2002, rising 53.7%.

In multimedia-related products, we worked aggressively to expand our business by making full use of our strengths in business forms and DPS.

We strove to expand sales of digitized regulations manuals, build electronic archives for local governments, and expand our business in cyclical e-mail marketing through our tie-up with Digital Impact Inc., of the United States.

In IC-related products, we aggressively introduced new items, including IC mailing forms, IC tickets, shipping labels with IC tags, IC tags for airline luggage, and IC card compatible color printing system equipment. In comparison with established products such as bar codes, IC-related products have significant advantages for users, but full acceptance of these new products will require standardization and lower production costs. However, technical advances in the past few years have resulted in dramatic reductions in production costs and progress toward standardization. As a result, growth in demand is accelerating. In this setting, Toppan Forms worked to develop products that utilize its expertise in transport and delivery slips.

Data Print Services (DPS)

In the year under review, DPS operations continued to record strong growth, with sales rising 18.8%, to ¥42.4 billion.

DPS

DPS enjoyed strong demand from the financial services industry, including insurance companies, consumer finance companies, banks, and securities companies. These companies use DPS as a tool to facilitate communication with customers through direct mail and for use with statements, contracts, and other business mail. Sales rose 17.9%, to ¥39.7 billion. In the future, we expect DPS to be a key driver of our growth. To enhance our supply capacity, in the year under review we initiated an expansion project at the Fussa Plant in Tokyo. Construction is scheduled for completion in December 2002.

One-Pack Mail, a new DPS-related product launched during the term, utilizes our strengths in direct mail



Successful Commercialization of True Waterproof Forms

We have succeeded in commercializing true waterproof forms that use bagasse paper. They retain the benefits of traditional watermark technology yet offer low costs and are compatible with small-lot processing.



Environmentally Friendly Window Envelopes

All of the materials used in these window envelopes are environmentally friendly, including the non-wood-based bagasse paper, soy ink, and macromolecular plastic film.

production and makes possible the transmission in the same envelope of both the personalized data that would typically be sent in a paper-based form or postcard and such items as product samples. Even in a sluggish economic environment, expectations are high for sales-promotion-related direct mail. With demand for low-cost, high-impact direct mail services remaining relatively strong, we developed high-value-added new products that met customer needs.

Digital Print On Demand (DOD)

DOD is a system that makes possible full-color, on-demand printing using variable digital data. DOD complements DPS, and these services, which are based on advanced technologies, are suitable for the production of printed materials for one-to-one marketing and for highly focused marketing campaigns targeting small groups. Because small-lot products can be delivered in a short period of time, we see substantial potential demand, and we worked to expand our

base of customers by aggressively marketing these products. As a result of these efforts, DOD sales rose 33.9%, to ¥2.8 billion.

In the year under review, we received an order for the printing and binding of the world's first full-color, personalized teaching materials for use in a distance learning program. These materials allow students to freely study those subjects that match their backgrounds and interests. With individualized arrangements of large amounts of variable data, books ranging from 10 to 350 pages can be easily edited and bound. In terms of content, quality, and production volume, this project was an industry first, and it marked a turning point in the history of the printing industry, which has traditionally centered on producing large volumes of the same publication. Also, with networks playing an increasingly important role, Toppan Forms leveraged the advantages of DOD and paper media to offer full-color, high-quality, digital printed

materials targeting individuals, such as advertising and flyers.

OTHER BUSINESSES

The other businesses segment, which complements Toppan Forms' printing business, comprises the equipment and services category and the office supplies category. Sales in the other businesses segment increased 8.1% from the previous year, to ¥37.1 billion.

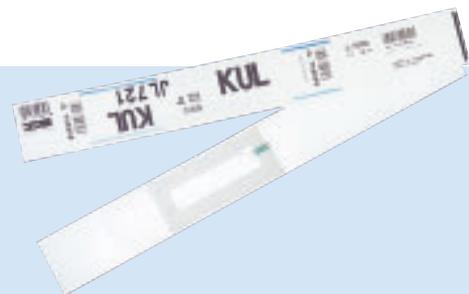
Equipment and Services

Toppan Forms' equipment operations are centered on products used in conjunction with the Company's business forms and cards, such as equipment used in cutting, separating, affixing, inserting, and sealing continuous forms; in enclosing and sealing; and in binding. By combining these peripheral and related devices with its range of business forms, Toppan Forms meets the needs of customers with proposals for fully integrated systems. Although customers continued to face difficult operating conditions and



IC Mailing Form Series

We have used a new method of attaching IC cards directly to conventional invitations to develop three new types of mailing forms. In comparison with conventional IC-card mailing forms, these forms allow customers to use a new type of direct mail that features both low costs and abundant variations.



Contactless IC Tags for Airline Luggage

In October 2001, the Ministry of Land, Infrastructure, and Transport started a test of an airline luggage system utilizing wireless tags. Toppan Forms is participating in the test as a manufacturer of RFID tags.

restraints on capital investment, our equipment, which facilitates administrative rationalization and cost reductions, enjoyed strong demand, and orders increased. Our principal products in this category include sealers that process printed business forms into envelopes and postcards, systems that insert forms and flyers for each member of an organization, such as a co-op, and seal the envelopes, and automated paper feeders for high-speed printers. Major card-related products include IC card color printers and systems for issuing member cards and rewrite cards.

Our services business entails dispatching personnel to provide administrative, maintenance, and development services in the information systems departments of our customers. These services are handled by Toppan Forms Operation Co., Ltd., a wholly owned subsidiary.

In the year under review, sales in the equipment and services category rose 14.0%, to ¥16.9 billion.

Office Supplies

Toppan Forms handles a wide range of office supplies, including recording media; IT-related equipment supplies, such as printer toner cartridges and drums; a broad selection of paper products, such as copier paper; fixtures; and stationery. In the year under review, in an environment marked by intense price competition, we increased sales volume by expanding the number of items handled in line with customer demand. Sales were favorable, rising 3.7%, to ¥20.3 billion.

RESEARCH AND DEVELOPMENT

Approximately 5.5% of Toppan Forms' employees are involved in R&D, with the Company spending ¥2.3 billion on R&D in fiscal 2002.

As the digitization of information continues to advance, the Company has aggressively broadened its R&D activities from its core field of paper-based business forms to emerging fields that combine paper and electronic

technologies, such as DPS, DOD, and IC-related forms, tags, labels, and cards, as well as to IT-based digital media.

Toppan Forms' R&D programs cover a broad and comprehensive range of fields, such as basic research into materials used in the Company's products, the development of products using those materials, the development of new peripheral equipment, the enhancement of existing equipment, and the development of technologies and software for data processing and printing. Toppan Forms aims to provide more-advanced products and services through active participation in alliances with other companies and through joint research and personnel exchanges with universities and research institutions.

In the year under review, Toppan Forms concluded a strategic partnership agreement with Digital Impact, of the United States. While benefiting from the know-how of Digital Impact, a leader in e-mail marketing, Toppan Forms will aim to develop cross-marketing services



Color Card Print System Compatible with Contactless IC Cards

This system features simultaneous processing, from color printing of photographs, names, and numbers onto a contactless IC card to writing data onto IC or magnetic media.



Fine Rewrite IC Cards

Text and graphics can be printed on the entire surface of these cards. The blue color is easy to see, and the cards can be written to more than 500 times.

that combine its own digital data distribution and one-to-one sales promotion printing materials.

In the future, we will strive to conduct R&D rapidly and in line with market needs by reevaluating our R&D themes in terms of potential profitability and shortening the R&D process. Toppan Forms' fundamental approach to business entails understanding the needs of customers and proposing integrated solutions that meet those needs. The Company's planning, sales promotion, and R&D units work closely together on a daily basis. As a result, we can provide detailed responses to customer needs and can maintain advanced product development capabilities.

NETWORK

Toppan Forms' network of marketing offices, production facilities, and distribution bases extends throughout Japan, allowing the Company to respond promptly and accurately to customers' orders.

The Company maintains 51 sales offices in Japan, primarily in major cities. Marketing and support staff are knowledgeable not only in the Company's business forms but also in forms-related systems 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. In addition, the Company has two plants dedicated to the manufacture of specialty products. In anticipation of increased DPS orders, the Company has taken steps to boost its processing capacity by undertaking a scrap and build project to expand the Fussa Plant in Tokyo, with construction scheduled for completion in December 2002. In addition, we will reorganize our plants along product lines, specifically business forms, DPS, and

DOD, to further raise efficiency.

The Company's distribution operations comprise seven distribution centers and 23 warehouses throughout the country. Through this distribution network, we deliver products from our manufacturing facilities to customers.

The Company has 11 domestic subsidiaries: five manufacturing companies and six companies involved in a variety of businesses, including computer personnel dispatch, DPS and other processing, equipment maintenance, and distribution. Supported by these businesses, Toppan Forms is capable of providing customers with a full range of integrated information management services.

Overseas, the Company has six subsidiaries in Asia, where it continues to strengthen its production and sales capabilities.



Full-Scale Reproduction of Picture Scrolls

Through advanced, DOD-based digital technology, we use acid-free paper and highly light-resistant toner to make reproductions of picture scrolls with no seams.



PRESSLE Ace

This sealer, one of Toppan Forms' original office equipment products, makes sealed postcards that can be sent through the mail and opened from the back.



Financial Section

Contents

- Consolidated Six-Year Financial Summary 17
- Financial Review 18
- Consolidated Balance Sheets 20
- Consolidated Statements of Income 22
- Consolidated Statements of Shareholders' Equity 23
- Consolidated Statements of Cash Flows 24
- Notes to Consolidated Financial Statements 25
- Report of Independent Accountants 37

Consolidated Six-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	2002	2002
For the year:							
Net sales	¥173,595	¥176,619	¥175,797	¥180,521	¥189,465	¥196,489	\$1,477,361
Operating profit	12,863	17,038	15,251	17,498	18,094	18,888	142,015
Income before income taxes	12,805	16,532	15,374	17,529	16,837	18,477	138,925
Net income	5,335	7,197	7,825	9,710	9,272	10,584	79,579
Depreciation	4,648	4,782	5,321	4,966	4,800	4,701	35,346
Capital expenditure	5,792	17,519	15,765	5,529	5,941	6,177	46,443
R&D expenses	1,847	1,700	1,769	1,910	2,185	2,309	17,361
At year-end:							
Total assets	¥109,882	¥125,730	¥126,839	¥133,649	¥141,515	¥150,979	\$1,135,180
Total shareholders' equity	50,682	69,182	75,060	82,481	89,292	95,955	721,466
Number of shares outstanding (thousands)	10,500	115,000	115,000	115,000	114,851	114,706	
Number of employees	6,287	6,395	6,232	6,139	6,165	6,349	
Cash flows:							
Net cash provided by operating activities	—	—	¥14,237	¥12,682	¥12,548	¥16,227	\$122,007
Net cash used in investing activities	—	—	(18,753)	(4,420)	(8,650)	(7,476)	(56,211)
Net cash used in financing activities	—	—	(2,566)	(2,494)	(2,568)	(2,552)	(19,188)
Cash and cash equivalents at end of year	—	—	11,016	16,767	18,113	24,373	183,256
Per share data:							
Net income:							
Basic	¥ 50.81	¥ 65.43	¥ 68.04	¥ 84.44	¥ 80.68	¥ 92.21	\$0.69
Diluted	—	—	—	—	—	—	—
Cash dividends	105.00	15.00	17.00	20.00	21.00	23.00	0.17
Shareholders' equity	482.68	601.59	652.69	717.23	777.46	836.52	6.29
Ratios:							
Equity ratio	46.1%	55.0%	59.2%	61.7%	63.1%	63.6%	
Return on net sales	3.1	4.1	4.5	5.4	4.9	5.4	
Return on assets	5.1	6.1	6.2	7.5	6.7	7.2	
Return on shareholders' equity	11.0	12.0	10.8	12.3	10.8	11.4	

Notes: 1. U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥133=U.S.\$1, as at March 31, 2002.

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. 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.

Financial Review

OVERVIEW OF OPERATIONS

With the Japanese economy remaining in a slump, Toppan Forms faced a challenging operating environment during fiscal 2002, ended March 31, 2002. In this setting, the Company's consolidated net sales rose 3.7% from the previous year, to ¥196.5 billion (US\$1,477.4 million), and operating income increased 4.4%, to ¥18.9 billion (US\$142.0 million). Net income was up 14.2%, to ¥10.6 billion (US\$79.6 million), and net income per share rose 14.3%, to ¥92.21 (US\$0.69). In the future, Toppan Forms will continue working to strengthen its operations in growth fields and to further improve management efficiency, thereby ensuring sustained growth potential and profitability.

INCOME AND EXPENSES

Although the Company's operations were significantly affected by declining product prices that resulted from corporate cost cutting measures, net sales rose 3.7%, to ¥196.5 billion (US\$1,477.4 million). Sales in the

Printing Business segment increased 2.6%, to ¥155.8 billion (US\$1,171.3 million), accounting for 79.3% of net sales. In business forms, intense price competition and structural changes in demand led to a slight decline in sales, and in Data Print Services (DPS) operations, the Company developed new applications and secured orders. In the Other Businesses segment, the Company recorded increased sales of office supplies and equipment.

The cost of sales rose 3.7%, from the previous year, to ¥142.5 billion (US\$1,071.3 million). In an operating environment marked by declining product prices, we implemented laborsaving and cost-reduction measures, and as a result the cost of sales ratio was about the same as in the previous year, at 72.5%. The gross profit margin was also approximately the same, at 27.5%.

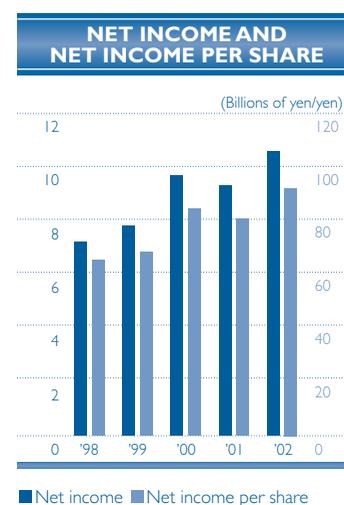
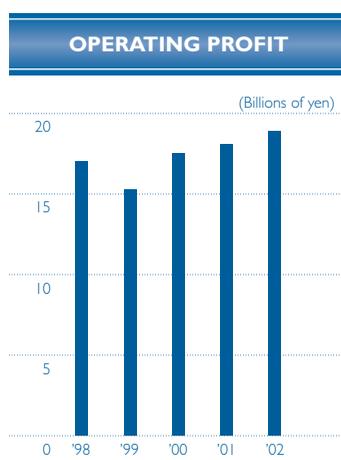
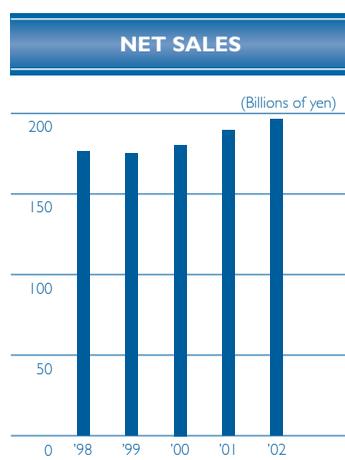
Selling, general and administrative (SG&A) expenses rose 3.4%, from the previous year, to ¥35.1 billion (US\$264.1 million), due principally to higher R&D expenditures. The ratio of SG&A expenses to net sales was 17.9%,

the same as in the previous year.

Operating profit increased 4.4% from the previous year, to ¥18.9 billion (US\$142.0 million), while the ratio of operating profit to net sales was unchanged at 9.6%. In the previous year, the Company recorded a one-off expense resulting from the adoption of a new accounting standard for retirement benefits and a gain on securities contribution to employee retirement benefit trust. As a result, in the year under review other income decreased ¥1.4 billion (US\$10.3 million) and other expenses declined ¥2.2 billion (US\$16.7 million).

Income before income taxes increased 9.7% from the previous year, to ¥18.5 billion (US\$138.9 million). Net income was up 14.2%, to ¥10.6 billion (US\$79.6 million), and net income per share increased from ¥80.68 to ¥92.21 (US\$0.69).

Due to the increase in net income, return on equity rose 0.6 percentage points from the previous year, to 11.4%, and return on assets increased 0.5 percentage points, to 7.2%.



DIVIDEND POLICY

The Company's basic policy calls for providing stable dividend payments to shareholders while maintaining a strong foundation for future growth. For fiscal 2002, the Company increased the interim cash dividend per share ¥1.00, to ¥11.00, and the year-end cash dividend per share ¥1.00, to ¥12.00. Accordingly, total cash dividends per share for the year rose ¥2.00 from the previous year, to ¥23.00. The non-consolidated payout ratio was unchanged at 25.2%.

FINANCIAL POSITION

Toppan Forms strives to maintain a sound financial position and to generate cash flow so that the Company can implement appropriate investment activities to support smooth operational administration and strategic growth. During fiscal 2002, the Company sustained a strong financial position.

In the year under review, net cash provided by operating activities rose 29.3%, to ¥16.2 billion (US\$122.0 million). Income before income taxes

totaled ¥18.5 billion (US\$138.9 million) and depreciation and amortization was ¥4.7 billion (US\$35.3 million). Income taxes paid amounted to ¥7.5 billion (US\$56.5 million).

Net cash used in investing activities declined 13.6%, to ¥7.5 billion (US\$56.2 million). Major items included acquisition of property, plant and equipment of ¥5.3 billion (US\$39.7 million) and acquisition of investment securities of ¥1.6 billion (US\$12.4 million).

Net cash used in financing activities declined 0.7%, to ¥2.6 billion (US\$19.2 million). Dividends paid totaled ¥2.5 billion (US\$19.0 million).

At the end of fiscal 2002, cash and cash equivalents amounted to ¥24.4 billion (US\$183.3 million), an increase of 34.6% from the previous fiscal year-end.

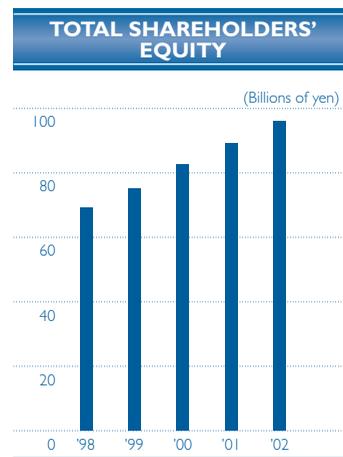
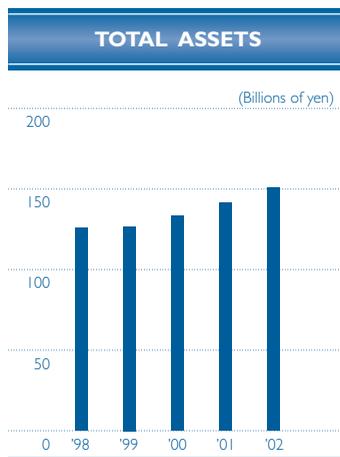
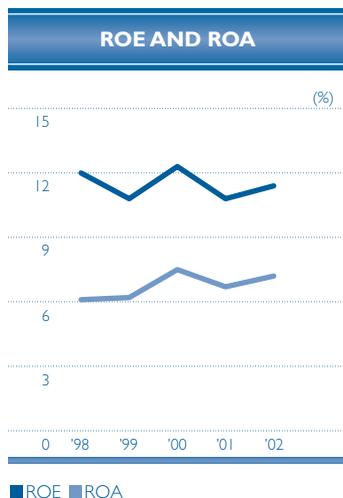
Current assets were up 10.5% from the previous year-end, to ¥79.3 billion (US\$596.3 million), and current liabilities increased 4.5%, to ¥52.5 billion (US\$394.5 million). Working capital rose 24.5%, to ¥26.8 billion (US\$201.8 million), and the current

ratio improved 8.3 percentage points, to 151.2%. The net value of fixed assets increased 2.8%, to ¥71.7 billion (US\$538.9 million).

At year-end, total shareholders' equity was ¥96.0 billion (US\$721.5 million), up 7.5% from the previous year-end, due to higher retained earnings. Net assets per share increased 7.6%, to ¥836.52. Total assets were up 6.7%, to ¥151.0 billion (US\$1,135.2 million), and the equity ratio rose 0.5 percentage points, to 63.6%, a reflection of the Company's stable financial position.

CAPITAL EXPENDITURES

Capital expenditures increased 9.3%, to ¥6.2 billion (US\$46.4 million). Major investment projects included the upgrading of the Fussa Plant to raise security and production capacity in DPS operations and the introduction of equipment for new DOD products.



Consolidated Balance Sheets

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 13,613	¥ 19,973	\$ 150,173
Marketable securities (Notes 3 and 5)	4,600	4,600	34,586
Notes and accounts receivable, trade (Note 4)	36,248	36,507	274,489
Inventories (Note 6)	13,712	13,370	100,526
Deferred income tax assets (Note 13)	1,322	1,704	12,812
Other current assets	2,266	3,151	23,692
Total current assets	71,761	79,305	596,278
Fixed assets:			
Property, plant and equipment:			
Land	17,004	17,010	127,895
Buildings and facilities	30,166	30,346	228,165
Machinery, equipment and vehicles	53,851	55,695	418,759
Tools and furniture.....	9,970	10,014	75,294
Construction-in-progress	743	2,678	20,135
	111,734	115,743	870,248
Less: Accumulated depreciation	(62,890)	(65,359)	(491,421)
Property, plant and equipment, net	48,844	50,384	378,827
Investment securities and other assets:			
Investment securities (Note 5)	9,013	8,225	61,842
Leasehold deposits	4,395	4,279	32,173
Insurance funds	4,296	4,576	34,406
Deferred income tax assets (Note 13)	589	1,631	12,263
Other assets	2,617	2,579	19,391
Total investment securities and other assets	20,910	21,290	160,075
Total fixed assets	69,754	71,674	538,902
Total assets	¥141,515	¥150,979	\$1,135,180

The accompanying notes are an integral part of these statements.

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 7)	¥ 1,015	¥ 1,143	\$ 8,594
Notes and accounts payable:			
–Trade (Note 4)	32,604	32,936	247,639
–Construction	1,702	2,266	17,038
Accrued income taxes (Note 13)	3,925	4,925	37,030
Accrued bonuses to employees	4,365	4,344	32,662
Other current liabilities	6,596	6,848	51,488
Total current liabilities	50,207	52,462	394,451
Long-term liabilities:			
Long-term debt (Note 7)	99	452	3,398
Pension liabilities (Note 8)	1,083	1,151	8,654
Deferred income tax liabilities (Note 13)	151	157	1,180
Other long-term liabilities	79	185	1,392
Total long-term liabilities	1,412	1,945	14,624
Minority interest in consolidated subsidiaries	604	617	4,639
Shareholders' equity (Note 9):			
Common stock, ¥50 par value– Authorized: 400,000,000 shares Issued: 115,000,000 shares.....	11,750	11,750	88,346
Additional paid-in capital	9,270	9,270	69,699
Retained earnings	68,302	76,234	573,188
	89,322	97,254	731,233
Net unrealized gains/(losses) on other securities (Note 5)	1,037	(140)	(1,098)
Foreign currency translation adjustment	(692)	(469)	(3,526)
Treasury stock, at cost (Note 10) (2001: 149,000 shares, 2002: 294,000 shares)	(375)	(684)	(5,143)
Total shareholders' equity.....	89,292	95,955	721,466
Contingent liabilities (Note 17)			
Total liabilities and shareholders' equity	¥141,515	¥150,979	\$1,135,180

Consolidated Statements of Income

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Net sales (Note 4)	¥180,521	¥189,465	¥196,489	\$1,477,361
Cost of sales (Notes 4 and 11)	129,328	137,411	142,479	1,071,271
Gross profit	51,193	52,054	54,010	406,090
Selling, general and administrative expenses (Notes 11, 12 and 14)	33,695	33,960	35,122	264,075
Operating profit	17,498	18,094	18,888	142,015
Other income:				
Interest and dividend income	89	96	83	624
Gain on securities contribution to employee retirement benefit trust (Note 8).....	—	1,399	—	—
Other income	1,004	821	860	6,466
	1,093	2,316	943	7,090
Other expenses:				
Interest expense	(70)	(69)	(86)	(647)
Loss on write-down of investment securities	—	—	(442)	(3,323)
Loss on sale of investment securities	—	(32)	(3)	(23)
Loss on disposal of machinery and others	(383)	(105)	(472)	(3,549)
Loss on write-down of memberships	(324)	(55)	(71)	(534)
Amortization of net transition obligation arising from adoption of the new Japanese Accounting Standard for Retirement Benefits (Note 8)	—	(3,088)	—	—
Other expenses	(285)	(224)	(280)	(2,104)
	(1,062)	(3,573)	(1,354)	(10,180)
Income before income taxes	17,529	16,837	18,477	138,925
Income taxes (Note 13):				
Current	8,142	8,342	8,521	64,068
Deferred	(421)	(837)	(576)	(4,331)
	7,721	7,505	7,945	59,737
Minority interest in consolidated subsidiaries	(98)	(60)	52	391
Net income	¥ 9,710	¥ 9,272	¥ 10,584	\$ 79,579
Per share of common stock (Note 16):				
Net income				
Basic	¥84.44	¥80.68	¥92.21	\$0.69
Diluted.....	—	—	—	—
Cash dividends applicable to the year	¥20.00	¥21.00	¥23.00	\$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)
	2000	2001	2002	2002
Common stock:				
Beginning of period	¥11,750	¥11,750	¥11,750	\$88,346
Add / (Deduct)–	–	–	–	–
End of period	¥11,750	¥11,750	¥11,750	\$88,346
Additional paid-in capital:				
Beginning of period	¥9,270	¥9,270	¥ 9,270	\$69,699
Add / (Deduct)–	–	–	–	–
End of period	¥9,270	¥9,270	¥ 9,270	\$69,699
Retained earnings:				
Beginning of period	¥54,041	¥61,461	¥68,302	\$513,549
Add:				
Net income	9,710	9,272	10,584	79,579
Deduct:				
Cash dividends paid	2,185	2,299	2,525	18,985
Bonuses to directors	105	132	127	955
End of period	¥61,461	¥68,302	¥76,234	\$573,188
Treasury stock at cost (Note 10):				
Beginning of period	(¥ 1)	¥ –	(¥375)	(\$2,820)
Net change resulting from purchase and sale of fractional shares of less than “One Unit” as defined by the Japanese Commercial Code.....	1	–	–	–
Purchase of treasury stock for stock options	–	(375)	(309)	(2,323)
End of period	¥–	(¥375)	(¥684)	(\$5,143)
Net unrealized gains on other securities (Note 5):				
Beginning of period	¥ –	¥ –	¥1,037	\$7,797
Add / (Deduct)–	–	1,037	(1,183)	(8,895)
End of period	¥ –	¥1,037	(¥146)	(\$1,098)
Foreign currency translation adjustment:				
Beginning of period	¥ –	(¥811)	(¥692)	(\$5,203)
Add / (Deduct)–	–	119	223	1,677
End of period	¥ –	(¥692)	(¥469)	(\$3,526)

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)
	2000	2001	2002	2002
Cash flows from operating activities:				
Income before income taxes	¥17,529	¥16,837	¥18,477	\$138,925
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	4,966	4,800	4,701	35,346
Gain on securities contribution to employee retirement benefit trust	—	(1,399)	—	—
Amortization of net transition obligation arising from adoption of the new Japanese Accounting Standard for Retirement Benefits	—	3,088	—	—
Other	411	(141)	761	5,722
Changes in current assets and liabilities:				
Increase in notes and accounts receivable	(1,119)	(2,019)	(4)	(30)
Decrease (increase) in inventories	94	(1,299)	491	3,692
Increase (decrease) in notes and accounts payable	(793)	2,317	236	1,774
Other, net	(385)	(864)	(927)	(6,970)
Sub total	20,703	21,320	23,735	178,459
Interest and dividends received	87	98	90	677
Interest paid	(60)	(54)	(89)	(670)
Income taxes paid	(8,048)	(8,816)	(7,509)	(56,459)
Net cash provided by operating activities	12,682	12,548	16,227	122,007
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(4,703)	(7,018)	(5,276)	(39,669)
Proceeds from sale of property, plant and equipment	190	28	52	391
Acquisition of marketable securities	—	(100)	(200)	(1,504)
Proceeds from sale of marketable securities	—	—	100	752
Acquisition of investment securities	(365)	(2,215)	(1,646)	(12,376)
Proceeds from sale of investment securities	7	535	3	23
Provided by other investing activities	2,279	1,677	1,602	12,045
Decrease of cash in connection with exclusion of a subsidiary from consolidation	—	—	(215)	(1,617)
Used in other investing activities	(1,828)	(1,557)	(1,896)	(14,256)
Net cash used in investing activities	(4,420)	(8,650)	(7,476)	(56,211)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(161)	82	(8)	(60)
Increase (decrease) in long-term debt	(51)	99	363	2,729
Repayments of capital lease obligations	(81)	(47)	(66)	(469)
Acquisition of treasury stock	—	(375)	(309)	(2,323)
Dividends paid	(2,202)	(2,327)	(2,532)	(19,038)
Other, net	1	—	—	—
Net cash used in financing activities	(2,494)	(2,568)	(2,552)	(19,188)
Effect of exchange rate changes on cash and cash equivalents	(17)	16	61	460
Net increase in cash and cash equivalents	5,751	1,346	6,260	47,068
Cash and cash equivalents at beginning of year	11,016	16,767	18,113	136,188
Cash and cash equivalents at end of year (Note 3)	¥16,767	¥18,113	¥24,373	\$183,256

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

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 Director of the Kanto Local Finance Bureau 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. In addition, consolidated statements of shareholders’ equity, which are not required as part of the basic financial statements in Japan but are presented herein as additional information.

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 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 is included solely for the convenience of readers outside Japan and has been calculated at the rate of ¥133= U.S.\$1, the approximate rate of exchange on March 31, 2002. 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.

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 a long period.

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

The assets and liabilities of consolidated subsidiaries are incorporated into the financial statements at fair value, and the difference between the net assets at fair value and the investment amounts are accounted for as goodwill, which is amortized equally over the effective periods.

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

Overseas consolidated subsidiaries have adopted accounting principles generally accepted in their respective countries and no adjustments have been made to their financial statements 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.

(3) Financial instruments

(a) Derivatives:

All derivatives are stated at fair value, with changes in fair value being included in net profit or loss in 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.

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.

However, effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese Accounting Standards for Financial Instruments.

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 was 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 increased by ¥413 million, as compared with the amount which would have been reported if the previous standard had been applied consistently. Also, “Net unrealized gains on other securities”, included in “Shareholders’ equity”, increased by ¥1,037 million and “Deferred tax assets”, included under “Investment securities and other assets”, decreased by ¥927 million.

(c) Hedge accounting:

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

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 purchase of hedging instruments is 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.

The cost of raw materials, supplies and purchased finished goods (supplies) is determined by the first-in, first-out method. The cost of purchased finished goods (machinery), finished products and work-in-process is 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 at 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 repair costs are charged to income as incurred. Major replacements and improvements are capitalized.

(6) Accrued bonuses to employees

Accrued bonuses are provided for the expected payment 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 in accordance with the Company's internal regulation, 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 held within three months after the 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.

The Company and its domestic consolidated subsidiaries record their pension liabilities by deducting the value of the plan assets from the projected benefit obligation, and then adjusting for the actuarial difference. The unrecognized actuarial difference is amortized using the straight-line method over fifteen years (within the average remaining service period of employees, when the difference will be incurred) from the period following that in which it occurs.

Until the year ended March 31, 2000, contributions by the Company to the pension fund had been charged to income when paid. However, effective from April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese Accounting Standards for Retirement Benefits.

As a result of adopting the new standard, the entire net transition obligation of ¥3,088 million was expensed in the previous fiscal year

and the benefit cost increased by ¥2,618 million and the "Operating profit" increased by ¥457 million. Also, in fiscal 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. Upon contribution of these securities, a net unrealized gain of ¥1,399 million was realized and was disclosed as "Gain on securities contributed to employee retirement benefit trust" in the consolidated statement of income for the year ended March 31, 2001. As a result, "Income before income taxes" decreased by ¥1,232 million.

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, using the asset and liability method. This method 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 they 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 from April 1, 2000, the Company and its consolidated subsidiaries adopted the Revised Japanese Accounting Standards for Foreign Currency Translation. In accordance with the revised standard, the foreign currency translation adjustments account, which used to be included in "Assets" under the previous accounting period, has, this year, been included in "Shareholders' Equity" and "Minority interest in consolidated subsidiaries".

(13) Treasury stocks

Treasury stocks are stated at cost as a separate component of the shareholders' equity in the accompanying consolidated balance sheets. Net gains on resale of treasury shares are presented under additional paid-in capital in the shareholders' equity in the accompanying consolidated balance sheets.

(14) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 2000 and 2001, have been made to conform to the presentation in the year ended March 31, 2002.

3 Cash and cash equivalents

“Cash and cash equivalents” comprise the following:

March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Cash and time deposit with original maturity of three months or less	¥16,167	¥13,613	¥19,973	\$150,173
Marketable securities	600	4,500	4,400	33,083
	¥16,767	¥18,113	¥24,373	\$183,256

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 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, 2000, 2001 and 2002 amounted to ¥5,581 million, ¥6,185 million and ¥6,801 million (\$51,135 thousand), respectively. Purchases from Toppan Printing Co., Ltd. for those three years were ¥3,423

million, ¥3,402 million and ¥3,088 million (\$23,218 thousand), respectively. The balance of receivables from Toppan Printing Co., Ltd. as of March 31, 2001 and 2002 amounted to ¥1,834 million and ¥1,581 million (\$11,887 thousand), respectively. The balance of payables to Toppan Printing Co., Ltd. amounted to ¥470 million and ¥317 million (\$2,383 thousand), respectively.

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

5 Marketable and Investment Securities

The following is certain information relating to the aggregate book carrying amount and market value of securities in fiscal 2001.

(i) “Held-to-maturity debt securities” whose market price or quotations are available.

	Millions of yen		
	March 31, 2001		
	Book carrying amount	Market value	Unrealized gains/losses
Debt securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Government bonds, Municipal Bonds, etc.	¥ —	¥ —	¥ —
②Corporate Bonds	100	100	—
③Others	—	—	—
	¥100	¥100	—

(ii) “Other securities” whose market price or quotations are available.

	Millions of yen		
	March 31, 2001		
	Acquisition cost	Market value (=Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	¥3,235	¥5,569	¥2,334
②Others	51	55	4
	3,286	5,624	2,338
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	2,425	1,917	(508)
②Others	624	584	(40)
	3,049	2,501	(548)
Total	¥6,335	¥8,125	¥1,790
Tax effect			(753)
			¥1,037

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

	March 31, 2001
	Millions of yen
Proceeds from sale of "Other securities"	¥35
Gain on sale of "Other securities"	0
Loss on sale of "Other securities"	32

The securities contributed to the employee retirement benefit trust during fiscal 2001, fair value of which was ¥2,249 million at the time of contribution, and the related gain on those securities of ¥1,399 million are not included in the figures above.

(iv) Securities whose market price or quotations are not available.

	March 31, 2001
	Book carrying amount
	Millions of yen
Other Securities	
①Share stocks not listed in the market (excluding over-the-counter stocks)	¥ 497
②Others	4,500
	¥4,997

(v) Redemption schedule for "Other securities" that have a maturity date, and "Held-to-maturity debt securities".

	Millions of yen			
	March 31, 2001			
	Due 2002	Due 2003~2006	Due 2007~2011	Due after 2012
1. Bonds				
①Government Bonds, Municipal Bonds, etc.	¥ —	¥—	¥—	¥—
②Corporate Bonds	100	—	—	—
③Others	—	—	—	—
2. Others				
①Mutual Funds	—	—	—	—
	¥100	¥—	¥—	¥—

The following is certain information relating to the aggregate book carrying amount and market value of securities in fiscal 2002.

(i) "Held-to-maturity debt securities" whose market price or quotations are available.

	Millions of yen		
	March 31, 2002		
	Book carrying amount	Market value	Unrealized gains/losses
Debt securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Government bonds, Municipal Bonds, etc.	¥ —	¥ —	¥ —
②Corporate Bonds	200	200	—
③Others	—	—	—
	¥200	¥200	¥ —

	Thousands of U.S. dollars		
	March 31, 2002		
	Book carrying amount	Market value	Unrealized gains/losses
Debt securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Government bonds, Municipal Bonds, etc.	\$ —	\$ —	\$ —
②Corporate Bonds	1,503	1,503	—
③Others	—	—	—
	\$1,503	\$1,503	\$ —

(ii) “Other securities” whose market price or quotations are available.

	Millions of yen		
	March 31, 2002		
	Acquisition cost	Market value (=Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	¥1,543	¥2,391	¥ 848
②Others	4	4	—
	1,547	2,395	848
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	4,089	3,077	(1,012)
②Others	768	679	(89)
	4,857	3,756	(1,101)
Total	¥6,404	¥6,151	(¥ 253)
Tax effect			107
			(¥ 146)

	Thousands of U.S. dollars		
	March 31, 2002		
	Acquisition cost	Market value (=Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	\$11,601	\$17,977	\$6,376
②Others	30	30	—
	11,631	18,007	6,376
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	30,744	23,136	(7,608)
②Others	5,775	5,105	(670)
	36,519	28,241	(8,278)
Total	\$48,150	\$46,248	(\$1,902)
Tax effect			804
			(\$1,098)

(iii) “Other securities” sold in the current fiscal year.

	March 31, 2002	
	Millions of yen	Thousands of U.S. dollars
Proceeds from sale of “Other securities”	¥5	\$38
Gain on sale of “Other securities”	—	—
Loss on sale of “Other securities”	2	15

(iv) Securities whose market price or quotations are not available.

	March 31, 2002	
	Book carrying amount	
	Millions of yen	Thousands of U.S. dollars
Other Securities		
①Share stocks not listed in the market (excludes over-the-counter stocks)	¥1,593	\$11,977
②Others	4,400	33,083
	¥5,993	\$45,060

(v) Redemption schedule for “Other securities” that have a maturity date, and “Held-to-maturity debt Securities”.

	Millions of yen			
	March 31, 2002			
	Due 2003	Due 2004~2007	Due 2008~2012	Due after 2013
1. Bonds				
①Government Bonds, Municipal Bonds, etc.....	¥ —	¥—	¥—	¥—
②Corporate Bonds	200	—	—	—
③Others	—	—	—	—
2. Others				
①Mutual Funds.....	—	—	—	—
	¥200	¥—	¥—	¥—

	Thousands of U.S. dollars			
	March 31, 2002			
	Due 2003	Due 2004~2007	Due 2008~2012	Due after 2013
1. Bonds				
①Government Bonds, Municipal Bonds, etc.....	\$ —	\$—	\$—	\$—
②Corporate Bonds	1,503	—	—	—
③Others	—	—	—	—
2. Others				
①Mutual Funds.....	—	—	—	—
	\$1,503	\$—	\$—	\$—

6 Inventories

Inventories comprise the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Finished products	¥ 8,121	¥7,614	\$ 57,248
Purchased finished goods	2,538	2,590	19,474
Work in process	924	947	7,120
Raw materials and supplies	2,129	2,219	16,684
	¥13,712	¥13,370	\$100,526

7 Borrowings

Short-term borrowings primarily consist of short-term bank loans belonging to certain overseas subsidiaries with annual interest rates ranging from 1.86 to 5.21 per cent as of March 31, 2002.

Long-term debt at March 31, 2002, comprises the following:

	Millions of yen	Thousands of U.S. dollars
Loans from Japanese banks and others:		
Unsecured—3.29 per cent.....	213	1,601
Unsecured—5.75 per cent.....	107	804
Unsecured—3.95 per cent.....	50	376
Unsecured—1.65 per cent.....	100	752
Less: Amounts due within one year	(18)	(135)
	¥452	\$3,398

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
2003	¥ 18	\$ 135
2004	18	135
2005	347	2,609
2006	70	526
2007	17	128
	¥470	\$3,533

8 Pension and severance plans

The Company and certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations for defined benefit tax qualified pension plans and non-contributory plans to cover employee pensions. The pension plans provide for annuity payments (or a lump-sum payment at the employees' option) over ten years, based on the 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 to employees who have served less than twenty years.

The pension liabilities for employees as of March 31, 2001 and 2002 can be analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
(1) Projected benefit obligation	¥24,609	¥27,287	\$205,165
(2) Plan assets at fair value.....	22,004	21,325	160,338
(3) Unfunded benefit obligation (1)-(2).....	2,605	5,962	44,827
(4) Unrecognized net transition obligation	—	—	—
(5) Unrecognized actuarial loss	(2,166)	(5,421)	(40,759)
(6) Unrecognized prior service cost	—	—	—
(7) Pension liabilities recorded on the consolidated balance sheet (3)+(4)+(5)+(6)	439	541	4,068
(8) Prepaid pension expense	—	—	—
(9) Pension liabilities for employees (7)-(8).....	¥ 439	¥ 541	\$ 4,068

As mentioned in Note 5, the Company contributed certain marketable equity securities in 2001 to the employee retirement benefit trust. These are included in "Plan assets at fair value" above, and amounted to ¥2,261 million in 2001 and ¥1,873 million (\$14,083 thousand) in 2002, respectively.

The components of the net periodic pension expense for the year ended March 31, 2001 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
(1) Service cost	¥1,402	¥1,369	\$10,293
(2) Interest cost	832	848	6,376
(3) Expected return on plan assets	(837)	790	5,940
(4) Recognized net transition obligation expense	3,088	—	—
(5) Expense for actuarial loss	—	144	1,083
(6) Net periodic pension expense	¥4,485	¥1,571	\$11,812

The assumptions used as of March 31, 2001 and 2002 were as follows:

	2001	2002
(1) Discount rate	3.5%	3.0%
(2) Expected return on plan assets	4.0%	4.0%
(3) Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
(4) Amortization of unrecognized prior service cost	—	—
(5) Amortization of unrecognized actuarial gain/loss	Straight-line over 15 years	Straight-line over 15 years
(6) Amortization of net transition obligation	Recognized entirely at the time of transition	—

The Company reviewed the discount rate at the 2002 year-end and decided to change it from 3.5% to 3.0%, since the change influenced the amount of the projected benefit obligation.

9 Shareholders' Equity

The Commercial Code of Japan provides that:

- (1) Upon a resolution of the Board of Directors, appropriations of interim cash dividends and the related transfer to the legal earned reserve as described in (3) below, can 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 paid by the Company from retained

earnings, must be appropriated from retained earnings as a legal earned reserve; no further appropriation is required when the combined amount of capital reserve and the legal earned reserve pursuant to the Japanese Commercial Code equals 25 per cent of 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 fiscal 2002 year end appropriation of retained earnings of the Company, which was approved at the General Meeting of Shareholders held in June 2002, is presented below:

	Millions of yen	Thousands of U.S. dollars
Appropriation for:		
Legal reserve	¥ —	\$ —
Cash dividends, ¥12.00 (\$0.09) per share	1,376	10,346
Bonuses to directors	83	624
Retained earnings, provided for as general reserve	7,500	56,391
	¥8,959	\$67,361

10 Treasury Stocks

The Company has acquired treasury stocks of 149,000 shares and 145,000 shares for the fiscal year ended March 31, 2001 and 2002, respectively in order to prepare for exercising stock options granted to certain directors and certain employees with the approval of the ordinary shareholders' meetings.

The amount of treasury stocks is stated at cost and is presented as a separate deduction item in the shareholders' equity.

Effective from October 1, 2001, the Company is allowed to acquire its own shares to the extent that the aggregate cost of treasury stocks does not exceed the maximum amount available for dividends. On June 27, 2002, the ordinary shareholders' meeting has approved to acquire its own shares with a limit of 2,000,000 shares of which amount is limited to ¥5,000 million (\$37,594 thousand) until the date of next ordinary shareholders' meeting.

11 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 and 2,309 million (\$17,361 thousand) for the year ended March 31, 2000, 2001 and 2002, respectively.

12 Selling, General and Administrative Expenses

The major components of "Selling, general and administrative expenses" are as follows:

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Salaries and bonuses	¥11,787	¥12,265	¥12,075	\$ 90,789
Provision for bonuses to employees	1,426	1,505	1,451	10,910
Provision for severance indemnities	108	—	—	—
Depreciation	733	673	660	4,962
Rent expense	3,856	3,670	3,348	25,173
Freight charges	5,408	5,057	5,083	38,218
Research and development expenditure	1,901	2,181	2,309	17,361
Pension expense	(*)—	574	727	5,466
Others	8,476	8,035	9,469	71,196
Total	¥33,695	¥33,960	¥35,122	\$264,075

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

13 Income Taxes

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

of approximately 42 percent, effective from April 1, 1999. The significant components of deferred tax assets and liabilities for the year ended March 31, 2001 and 2002 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
(Current assets)			
Deferred tax assets:			
Accrued bonuses	¥ 905	¥1,193	\$ 8,970
Enterprise tax	339	463	3,481
Others	78	48	361
Total	¥1,322	¥1,704	\$12,812
(Fixed assets)			
Deferred tax assets:			
Depreciation	¥ 307	¥ 273	\$ 2,053
Accrued severance indemnities	267	257	1,932
Pension liability	534	506	3,805
Bad debt reserve	68	74	556
Unrealized loss on golf membership	159	179	1,346
Unrealized loss on investment securities	156	336	2,526
Unrealized gain/loss on other securities	—	106	797
Others	36	104	782
Total	¥1,527	¥1,835	\$13,797
Deferred tax liabilities:			
Unrealized gain/loss on other securities	(754)	—	—
Undistributed earnings of foreign subsidiaries	(126)	(146)	(1,098)
Others	(58)	(58)	(436)
Total	(938)	(204)	(1,534)
Deferred tax assets, net.	¥ 589	¥1,631	\$12,263
(Fixed liabilities)			
Deferred tax liabilities:			
Depreciation	¥ 161	¥ 192	\$ 1,444
Others	—	—	—
Total	161	192	1,444
Deferred tax assets	(10)	(35)	(263)
Deferred tax liabilities, net.	¥ 151	¥ 157	\$ 1,180

“Pension liabilities” for the year ended March 31, 2001 and 2002 includes a prepaid pension expense of ¥198 million and ¥156 million (\$1,173 thousand) respectively.

The reconciliation between the statutory tax rate and the income tax rate in the consolidated statements of income for the year ended March 31, 2001 and 2002 are as follows:

	March 31, 2001	March 31, 2002
Statutory effective tax rate	42.1%	42.1%
(Reconciliation)		
Entertainment expenses	1.6	1.4
Equalization of inhabitant tax	0.7	0.6
Others	0.2	(1.1)
Effective income tax rate	44.6%	43.0%

14 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
	2000	2001	2002	2002
Machinery, equipment and vehicles	¥ 911	¥ 1,343	¥2,596	\$19,519
Tools and furniture	6,082	7,084	6,922	52,045
Other assets	165	183	224	1,684
Accumulated depreciation	(3,791)	(5,185)	(5,624)	(42,286)
	¥ 3,367	¥ 3,425	¥4,118	\$30,962

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

March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Due within one year	¥1,209	¥1,450	¥1,665	\$12,519
Due after more than one year	3,384	3,701	4,454	33,489
	¥4,593	¥5,151	¥6,119	\$46,008

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

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Lease payments	¥1,237	¥1,719	¥1,950	\$14,662
Amount representing depreciation	¥1,383	¥1,958	¥1,961	\$14,744
Amount representing interest	¥ 152	¥ 252	¥ 248	\$ 1,865

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

March 31	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Due within one year	¥ 629	¥ 492	¥ 816	\$ 6,136
Due after more than one year	2,363	1,598	3,339	25,105
Total minimum lease payments	¥2,992	¥2,090	¥4,155	\$31,241

15 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.

As of March 31, 2001 and 2002, there are no contract amounts outstanding for derivatives except for those held for "hedge accounting" purposes as described in Note 2 (3) (c) above.

16 Earnings per share information

The computation of net income per share is based on the weighted-average number of common shares outstanding during each fiscal year that treasury stocks held during periods are excluded.

The following options to purchase the treasury stocks held by the Company were given to certain directors and employees at the ordinary shareholders' meeting held on June 29, 2000 and June 28, 2001, respectively.

The date of ordinary shareholders' meeting	Number of common share to be granted (shares)	Exercise price per share (exact yen)	Exercise periods
June 29, 2000	149,000	2,636	From July 1, 2001 to June 30, 2006
June 28, 2001	145,000	2,200	From July 1, 2002 to June 30, 2007
	294,000		

These options will have a dilutive effect under treasury stocks method only when the average market price of common stocks during each fiscal year exceeds the exercise price of these options.

During the 2000 and 2001 fiscal years average market price did not exceed the exercise price given. Accordingly no dilutive effect of earning per share exists.

17 Contingent Liabilities

Based upon information currently available, the Company and its consolidated subsidiaries have no significant pending lawsuits.

18 Segment Information

(1) Segments by industry

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, 2002	Millions of yen				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	¥155,781	¥40,708	¥196,489	¥ –	¥196,489
(2) Inter-segment	329	1,320	1,649	(1,649)	–
Total	156,110	42,028	198,138	(1,649)	196,489
Operating expenses	135,504	40,573	176,077	1,524	177,601
Operating profit	¥ 20,606	¥ 1,455	¥ 22,061	(¥3,173)	¥ 18,888
II. Assets, depreciation and capital expenditure:					
Assets	¥106,237	¥13,901	¥120,138	¥30,841	¥150,979
Depreciation	4,629	57	4,686	15	4,701
Capital expenditure	6,572	8	6,580	–	6,580

March 31, 2002	Thousands of U.S. dollars				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	\$1,171,286	\$306,075	\$1,477,361	\$ –	\$1,477,361
(2) Inter-segment	2,474	9,925	12,399	(12,399)	–
Total	1,173,760	316,000	1,489,760	(12,399)	1,477,361
Operating expenses	1,018,827	305,060	1,323,887	11,459	1,335,346
Operating profit	\$154,933	\$10,940	\$165,873	(\$23,858)	\$142,015
II. Assets, depreciation and capital expenditure:					
Assets	\$798,774	\$104,519	\$903,293	\$231,887	\$1,135,180
Depreciation	34,805	429	35,234	112	35,346
Capital expenditure	49,414	60	49,474	–	49,474

Note:

- a) Segment information by business activity is determined by considering the product line, the product market, and the management control of the business.
- b) Main products of each business segment:
 - i) Printing business: Printing of business forms and Data Printing Services.
 - ii) Other businesses: Sales of supplies and equipment related to the printing business, business information operating services and other.
- c) Corporate expenses mainly include administrative expenses of the Company.
- c) "Assets" mainly includes short-term deposits and long-term investments of the Company.
- e) From fiscal year ended March 31, 2000, certain business of the Company has been reclassified between segments. New-media-related businesses, formerly included in "Other businesses", was transferred to be "Printing business" segment since it has a stronger relationship with "Printing business". The effect of this change was immaterial.
- f) Effective from April 1, 2000, the Company and its consolidated subsidiaries adopted the new Accounting 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 as compared with the amount which would have been reported if the previous standard had been applied consistently.
- g) Effective from April 1, 2000, the Company and its consolidated subsidiaries adopted the new Accounting Standards for Retirement Benefits. As a result of adopting the new standard, "Operating profit" shown in the "Printing business", "Other businesses", and the "Elimination/Corporate" columns for the year then ended March 31, 2001 increased by ¥357 million, ¥86 million, and ¥14 million, respectively. Accordingly, "Operating profit" for the year ended March 31, 2001 increased by ¥457 million as compared with the amount which would have been reported if the previous standard had been applied consistently.
- h) Effective from 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 as compared with the amount which would have been reported if the previous standard had been applied consistently.

(2) Geographic Areas

The geographic information of consolidated subsidiaries located in countries or regions outside of Japan are not presented since sales and assets of the Company and its consolidated subsidiaries located in Japan exceed 90% of consolidated sales in total and consolidated assets in total.

Report of Independent Accountants

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

June 27, 2002

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, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, 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 consolidated 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 March 31, 2002)

Name	Country	Main business	Issued capital (Thousands)	Equity held by the Company (%)
Toppan Forms (Hamamatsu) Co., Ltd.	Japan	Manufacture of business forms	¥00100,000	100.0
Toppan Forms Operation Co., Ltd.	Japan	Operation and administration of computers	¥00100,000	100.0
Toppan Forms Process Co., Ltd.	Japan	Processing of business forms and DPS operations	¥00100,000	100.0
Techno Toppan Forms Co., Ltd.	Japan	Sale, maintenance, and repair of office equipment	¥00100,000	100.0
Toppan Forms (Sanyo) Co., Ltd.	Japan	Manufacture of business forms	¥00050,000	100.0
Toppan Forms Logistics and Services Co., Ltd.	Japan	Distribution, delivery, and storage services	¥00050,000	100.0
Toppan Forms Services (Kansai) Co., Ltd	Japan	Distribution, delivery, and storage services Processing of business forms and DPS operations	¥00050,000	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\$02,000	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	S\$0001,226	100.0* ³

Total number of subsidiaries: 17

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 27, 2002)

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

Toshifumi Motohara

Tadashi Ichii

Takeo Sugi

Kazuo Kato

Masamichi Kuroda

Michikata Kono

Kenji Osanai

Statutory Auditors

Tadao Masuda (full-time)

Tsuneco Mogi (full-time)

Masatsugu Mitsugi

Takeshi Toyama

Corporate Data

(As of March 31, 2002)

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

¥95,955 million

Common Stock

Authorized: 400,000,000 shares

Issued: 115,000,000 shares

Stock Listing

Tokyo Stock Exchange

Number of Employees

6,349

TOPPAN FORMS CO.,LTD.

Ochanomizu Square, 6, Kanda Surugadai 1-chome,
Chiyoda-ku, Tokyo 101-8303, Japan
Tel: 03-3259-2417
<http://www.toppa-f.co.jp/>