



ABOUT TOPPAN FORMS

As a leader in the business forms industry, Toppan Forms Co., Ltd., draws on the know-how and customer loyalty that it has accumulated over many years of experience to anticipate and meet market needs by providing its customers with a wide variety of business forms and services.

Toppan Forms' DPS (Data Print Services) operations link business forms technologies with data processing expertise and showcase the Company's advanced capabilities and comprehensive strengths. Against a background of rapid growth in outsourcing, our DPS operations are showing rapid expansion. In addition, in response to the information technology (IT) revolution, Toppan Forms is allocating management resources on a priority basis to the development of new products and services that use electronic media and to Internet-based electronic commerce activities.

In this way, the Company is working to propose the optimal solutions to diverse customer needs and to provide comprehensive information management services to its broad base of customers.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
For the year:				
Net Sales	¥176,619	¥175,797	¥180,521	\$1,703,028
Operating Profit	17,038	15,251	17,498	165,075
Net Income	7,197	7,825	9,710	91,604
At year-end:				
Shareholders' Equity	¥ 69,182	¥ 75,060	¥ 82,481	\$ 778,123
Total Assets	125,730	126,839	133,649	1,260,840
Per Share Data:				
	Yen			U.S. dollars
Net Income	¥65.43	¥68.04	¥84.44	\$0.80
Cash Dividends	15.00	17.00	20.00	0.19

Note: U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥106=U.S.\$1, as at March 31, 2000.

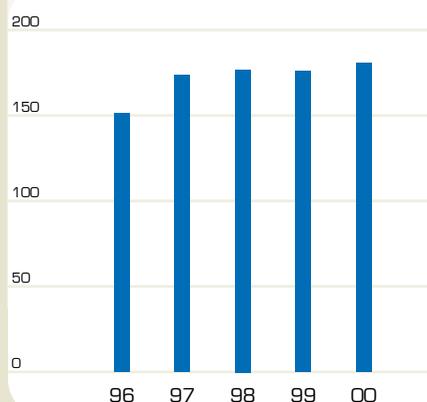
COMPOSITION OF SALES BY BUSINESS SEGMENT (%)

OTHER BUSINESSES
20.4

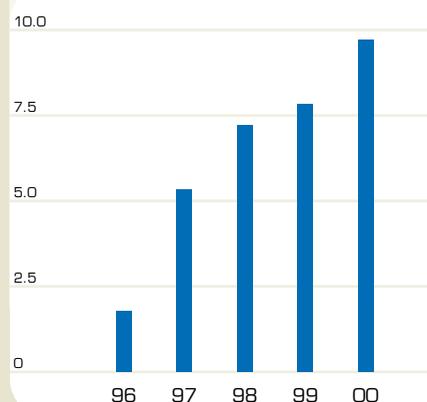


PRINTING BUSINESS
79.6

NET SALES (Billions of Yen)



NET INCOME (Billions of Yen)



TO OUR SHAREHOLDERS AND FRIENDS



YASUHIRO FUKUDA
President and Representative Director

OPERATING ENVIRONMENT AND RESULTS IN FISCAL 2000

During fiscal 2000, ended March 31, 2000, there were some signs of recovery in the Japanese economy as a result of the government's economic stimulus measures. Despite brisk investment in certain IT-related areas, private-sector capital investment remained generally sluggish. In addition, a difficult employment environment and a lack of growth in incomes led to poor consumer sentiment. Overall, business conditions were challenging throughout the year.

In the business forms industry, the operating environment became more harsh. The growing use of digital technologies led to structural changes in demand, and declining demand and intensifying competition resulted in lower product prices. Nonetheless, raw materials prices increased.

In this setting, Toppan Forms strove to expand sales in business forms and DPS (Data Print Services). We also conducted aggressive R&D of products and systems that use digital technologies. We worked to establish ourselves as a comprehensive Information Management Services (IMS) business that can meet new needs.

Based on our customer orientation, our sales activities were focused on the proposal of solutions. At the same time, we took steps to develop products and increase efficiency in manufacturing systems to further improve our corporate constitution.

As a result of these efforts, consolidated net sales increased 2.7% year on year, to ¥180.5 billion (\$1,703 million). Consolidated operating profit was up 14.7%, to ¥17.5 billion (\$165 million), and consolidated net income increased 24.1%, to ¥9.7 billion (\$92 million). With net income per share of ¥84.44 (\$0.80), we increased cash dividends per share for the year under review by ¥3.00, to ¥20.00 (\$0.19). The Company's return on assets for the year was 7.5%, and return on equity was 12.3%. Capital expenditures totaled ¥5.5 billion (\$52 million).

In our core area of business forms, sales increased slightly, with expanded sales of high-value-added products offsetting the effects of lower sales of traditional products and price declines.

In DPS, we worked to meet market needs by adding more-sophisticated functions and reducing delivery times. The performance of our DPS operations remained favorable, with double-digit growth in sales. As a result, DPS provided substantial support for the Company's achievement of growth in sales and profits.

I NTEGRATED INFORMATION MANAGEMENT SERVICES (IIMS)

Our business development activities are guided by the fundamental concept of IIMS, which encompasses our vision for our future and the direction that we will take in the years ahead.

Toppan Forms has three principal fields of business: business forms, DPS, and IMS.

BUSINESS FORMS

Business forms constitute the foundation for all of the Company's operational development. We began with simple forms and subsequently developed a large number of high-value-added products, such as optical character recognition (OCR) forms, EX forms, advanced POSTEX® forms, and direct mail products for sales promotions. The keys to success in business forms, our first operational field, are developing more-advanced products and increasing competitiveness by reducing costs.

DPS

DPS, which is based on a broad variety of business forms, comprises an integrated approach to organizing, printing, processing, and delivering data entrusted to us by our customers. In our DPS operations, which represent our second operational field, we use our information processing and management capabilities to add value to our paper-based business forms. As such, DPS is more than just a physical product; it is a fee-based business with a significant service component. In the past several years, trends toward outsourcing and personalization have led to increased demand for DPS. In this environment, our DPS operations have secured a dominant market share and become a driving force behind our growth.

IMS

Currently, our highest priority is the development of IMS as our third operational field, after business forms and DPS. IMS is a new business area that involves the application of the information processing and management capabilities that we have acquired through our business forms and DPS operations. We use these capabilities in CD-ROMs and Internet activities; in solutions incorporating electronic forms and rulebooks; in the commercialization of IC forms, labels, tags, and other digital forms; and in the development of applications.

IMS presents opportunities for making full use of our technologies and experience. We are devoting considerable managerial resources to the establishment of a strong position in IMS.

In the future, we will strive to provide a total response to customer needs by integrating our business forms, DPS, and IMS operations and leveraging our capabilities in everything from paper products to electronic media. This is the basis of Toppan Forms' business model in the new century.

FISCAL 2000 TOPICS

REORGANIZING OUR PRODUCTION SYSTEM

In order to further improve our manufacturing system, we are reorganizing our plants to raise production capacity and efficiency. We increased productivity by concentrating the manufacture of general-use and mass-produced items at our Kawamoto Plant, which came on stream in July 1998. At the Fussa Plant, we are adding high-security facilities that will enable the plant to handle increasing orders as a dedicated DPS facility. We have also completed the construction of facilities for manufacturing digital forms at our Shizuoka Plant, and we are conducting the development and production of forms for fields in which growth is expected, such as distribution, retail, and manufacturing.

In November 1999, our Hino Plant became the fourth Toppan Forms Group plant to earn ISO 9002 international quality assurance certification, further strengthening its quality assurance structure.

OPENING A DATA CENTER

In May 1999, in the Shibuya Ward of Tokyo we opened the Tokyo Data Center, which boasts leading-edge computing and physical security facilities. The center will provide data processing capabilities and customer data security.

In March 2000, this center became the first in the industry to be certified for information system security measures by the Ministry of International Trade and Industry, bolstering the trust of our customers in our information processing and management systems and contributing to the growth of our DPS operations.

OUTLOOK FOR FISCAL 2001

The outlook for the Japanese economy remains unclear. In this setting, we will work to develop new technologies and applications for DPS and to aggressively open up new digital fields in such areas as the Internet. To realize these goals, we will strive to reinforce and expand our operational foundation by making the best use of our personnel and other management resources and strengthening our product development capabilities and cost-competitiveness to ensure that we can succeed in new fields. Endeavoring to earn the trust of our customers and of the communities where we do business, we will strengthen our ties with all Toppan Forms Group companies and further improve our performance. Also, with a continuing priority on transparency in corporate governance, we will work to bolster our financial position and increase shareholder value.

VISION FOR THE 21ST CENTURY

Over the medium to long term, we expect continued structural changes in demand in the business forms market. A number of trends will propel those changes, including the growing use of the Internet, the widespread adoption of electronic media, and the expansion of network infrastructures. We believe that we can take advantage of latent demand by providing new types of high-value-added forms that offer the merits of paper media, such as convenience and stability, and still meet the new era's requirements for ecological soundness, security, and economy.

We will work to create new demand for DPS by offering more-advanced services for organizing and processing a range of data, including not only conventional monochrome character data but also multicolored and graphical material, such as graphs and photographs. We will also work to expand the DPS market through the active use of technology and the establishment of DOD (digital print on demand) services, which recorded strong growth during the year under review. DOD services will be an important means of meeting demand for one-to-one marketing, which has been a key focus in recent years.

Our operating environment is undergoing significant change. In this setting, the rapid establishment of IMS operations will have a major influence on the growth of Toppan Forms over the medium to long term. Accordingly, the entire Company is working to support the expansion of IMS, from development to marketing and sales.

Based on its three-part operational structure comprising business forms, DPS, and IMS, Toppan Forms will reinforce its position as an industry leader in the years ahead. To that end, through a seamless integration of our experience, leading-edge technologies, know-how, and data processing capabilities, we will build a new Toppan Forms brand and offer integrated information management services that are tailored to our customers' operating strategies.

We thank all our shareholders and friends for their valued support and look forward to their continued understanding and encouragement in the years ahead.

June 2000



Yasuhiro Fukuda
President and Representative Director

Review of Operations

PRINTING DIVISION

Toppan Forms' Printing Division, the Company's core business segment, comprises business forms and DPS. During fiscal 2000, total sales in printing business operations increased 3.6% from the previous year, to ¥134.6 billion (\$1,270 million), accounting for 79.9% of the Company's net sales.

BUSINESS FORMS

Sales in business forms operations decreased 0.4% year on year, to ¥104.0 billion (\$981 million). This division has four product categories: business forms; related printing of general-purpose items and envelopes; multimedia- and IC-related products, a part of IMS; and others, which includes cards. With the exception of business forms, favorable sales were recorded in each category.

Business forms, which are the core of Toppan Forms' operations, accounted for 51.1% of net sales in the year under review. Due to the trends toward electronic commerce and networks and to the prolonged slump in the Japanese economy, the scale of the market for business forms is not expected to increase, and price competition continues to intensify. Toppan Forms has built a position as a leader in this industry by responding rapidly to market needs with a wide range of products, from simple forms to high-value-added forms that feature specialized functions. During the year under review, orders for new ecology products and new products with security functions rose, offsetting the decline in prices, and the decrease in sales

was limited to 1.6%, compared with a decline of 4.6% in the previous year.

A number of our forms are representative of our line-up of high-value-added products. Ecology forms are environmentally friendly, while cost-saving forms can help customers to reduce their postal expenses. Security forms prevent tampering and protect confidential information. During the year under review, sales of ecology forms grew 87%; security forms sales were up 34%; sales of EX forms, which can be used in place of transport slips, rose 16%; and sales of POSTEX® and other mailing forms increased 12%.

Toppan Forms introduced several new forms during the year under review, including the Double Peel Type Cut Sheet POSTEX®, a three-fold-type sealed postcard, and the Multi-Function EX Form, which combines into a single form the functions of delivery statement, bill, invoice, and membership card. Double Peel Type Waterproof POSTEX® forms facilitate the printing of variable data on six sides and, even when wet, can be opened without tearing. Another new type of form is printed with environmentally friendly non-volatile soybean oil ink.

In **related printing**, which comprises the printing of mail envelopes and such items as catalogs and pamphlets for direct mailing, sales were up 8.7% year on year due to the success of our integrated proposals.

For the year under review, the ratios of consolidated to non-consolidated net sales and net income were 1.07 and 1.04. Non-consolidated figures have been used in this review of operations.

Starting with the year under review, DOD (digital print on demand), which had previously been included in Business Forms, has been moved to DPS, and multimedia-related products, which had previously been included in the Other Products and Services category, have been moved to Business Forms. These changes were made to more closely reflect the nature of the business activities. The scale of the sales of each product line that has been reclassified is small, and the effect of the reclassifications is not significant.



Left
Multi-Function EX Form

Middle
Double Peel Type Cut Sheet POSTEX®

Right
Fine Rewrite Cards

USE OF SOYBEAN OIL INKS IN BUSINESS FORMS

In April 2000, in cooperation with another Toppan Printing Group company, Toyo Ink Mfg. Co., Ltd., we developed the first products in the business forms industry to use soybean oil inks. In comparison with products that use conventional inks containing petroleum based carriers, products printed with soybean oil inks are environmentally friendly. Because they use non-volatile vegetable oil ink, they lead to reduced air pollution. In addition, these products can carry the American Soybean Association's SoySeal trademark with the words "Printed With Soy Ink." As a result, companies that use these products will be able to make a clear statement about their concern for the environment.



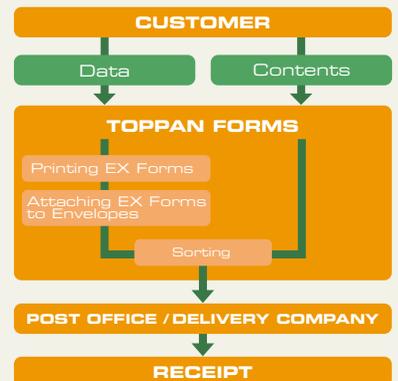


Top
Easy Order DM

Bottom
DOD products

EX MAIL SERVICE, A NEW DPS SERVICE

In February 2000, we began EX Mail Service, a new DPS service through which we provide a comprehensive solution for the mailing of promotional products, pamphlets, cards, and similar items in sealed envelopes. Using the know-how that we have acquired through other DPS services, we are able to offer an integrated service, from printing the EX forms and attaching them to envelopes at high speed to sorting the mailing by region and class and transferring the envelopes to the post office or delivery company. Through the EX Mail Service, Toppan Forms is providing a comprehensive response to customers' outsourcing needs.



Sales of **multimedia- and IC-related products**, which have been included in this category from the year under review, were up 28.8%. Although the scale of sales is still small, we have high expectations for this field in the future.

Sales in the **others** category, which includes various types of cards, grew 16.3% from the previous year. Toppan Forms provides all types of cards, centered on plastic cards and point cards, as well as consulting and systems development services that utilize those cards. We use a wide range of services and applications to offer integrated proposals. During the year under review, we began sales of a new type of Fine Rewrite Cards. These cards are the first in Japan that can be written to 500 times, an increase of about two times from previous products. In addition, they offer enhanced data readability achieved through the use of special leuco dyes.

DPS (DATA PRINT SERVICES)

Toppan Forms' DPS business comprises an integrated range of services for customers that entrust the Company with data. The services include organizing and processing the data, inputting it into business forms, inserting the forms into envelopes, sealing the envelopes, and arranging for delivery. The Company's DPS sales remained strong during fiscal 2000, increasing 16.6% year on year, to ¥30.6 billion (\$289 million).

In DPS, we combine the manufacturing and processing technologies acquired through business forms with database and information processing technologies to offer services related to business mail, direct mail, and DOD. In regard to the processing of data entrusted to us by customers, we offer state-of-the-art security systems. Also, in the area of quality control and delivery times, by combining our know-how with systems and facilities developed and built in-house, we have a flexible system, with which we meet customer needs. DPS has become an important contributor to our sales. We are conducting priority investment in maintaining and expanding our data processing and production related facilities to further increase our processing capacity and productivity.

DPS business can be broadly divided into business mail and direct mail. The business mail category covers support for the outsourcing of customer companies' internal administrative processes, including billing, invoicing, and various types of notification. During the past year, strong growth was recorded in business mail services for the life and non-life insurance industries. In the future, demand from banks and securities companies is expected to expand as Japan's Big Bang financial reforms go into effect, increasing the need for these companies to differentiate themselves from their competitors.

The direct mail category comprises sales promotion tools, such as announcements and applications, as well as marketing tools, such as questionnaires. We have the ability to make integrated proposals that cover everything from planning and design to the management of customer data, and we have recorded especially strong results in the financial and retail industries.

DOD is a system that makes possible direct, full-color printing from DTP data. Because it facilitates small-lot production and rapid delivery, DOD is used for the production of pamphlets and presentation materials. Although DOD operations still account for only a small part of the Company's net sales, DOD sales were up 94.3% during the year under review, and we have high expectations for the future of this business.

To meet a wide range of needs related to business forms, Toppan Forms offers its customers integrated solution proposals that combine original software and hardware for the production and supply of business forms. With multimedia continuing to grow rapidly, we are focused on applying the experience and know-how that we acquired in conventional paper media to the development of our operations in electronic media.

OTHER PRODUCTS AND SERVICES

Toppan Forms' printing business is complemented by other products and services, which comprise three related operational categories: equipment, supplies, and services. Sales of other products and services declined slightly to ¥33.8 billion (\$319 million).

EQUIPMENT

The Company's equipment operations are centered on machinery that complements its business forms, cards, and other products. One of the Company's key strengths is its proposal-based marketing, which features total systems that combine all types of business forms with related equipment. During fiscal 2000, equipment sales decreased 19.2% year on year, to ¥5.3 billion (\$50 million). The major reason for the decline was the postponement of new projects by companies as a result of the sluggish economic conditions.

Our principal products in equipment operations include sealers that process printed business forms into envelopes and postcards, detachers that separate continuous forms into individual pages, printing and posting systems for delivery slips, automated paper feeders for high-speed printers, and bookbinding systems. In card-related products, which have recorded expanding sales in recent years, our product lineup includes IC card reading equipment and membership and rewrite card issuing equipment.

SUPPLIES

Toppan Forms markets a wide variety of consumables and other office supplies, including office furniture and fixtures, paper products, toner cartridges, and magnetic media. In the year under review, significant increases in the use of personal computers and printers led to strong sales of paper products and printer-related consumables, and sales of supplies rose 8.2%, to ¥19.4 billion (\$183 million).

SERVICES

Our business in services principally comprises dispatching personnel to the offices of customers to provide assistance in developing, managing, and maintaining their information systems. Our business in this field is handled by wholly owned subsidiary Toppan Forms Operation Co., Ltd. In the year under review, sales declined 2.4%, to ¥9.1 billion (\$86 million), reflecting budget cutbacks in the financial and other industries. Although demand for outsourcing is increasing, current conditions are challenging due to the budget reductions.

NEW BUSINESS FIELDS

Toppan Forms is constantly searching for new fields of business where it can apply the experience and expertise acquired as a leader in the business forms industry. As explained in the president's message section of this annual report, IMS (Information Management Services) is the field to which we will give the highest priority in the future. In line with the growth of information technology, we anticipate continued expansion in the use of electronic business forms and multimedia. Accordingly, we will aggressively conduct development, research, and sales in the field of IMS.

Toppan Forms has acquired advanced forms design and management capabilities through paper-based business forms and integrated solution proposals that use those forms. Those skills, as well as the database management system technologies that we have developed through our DPS operations, will make a significant contribution to our ability to enter new markets and establish positions of leadership, and, with this advantage, we will strive to establish a strong operational foundation for our IMS activities.

Cyber DM and Hyper DM are two of the Company's most important direct mail products. Our Cyber DM System facilitates the issuance of IDs and passwords that can then be used by the recipient to access individually customized information on web sites. The Hyper DM System facilitates the provision of large volumes of information through the use of CD-ROMs. We are also making progress with the commercialization of knowledge management related products, such as a customer relations management system that uses non-contact IC cards, and electronic rulebooks for banking operations.



Left
Confia Type-C

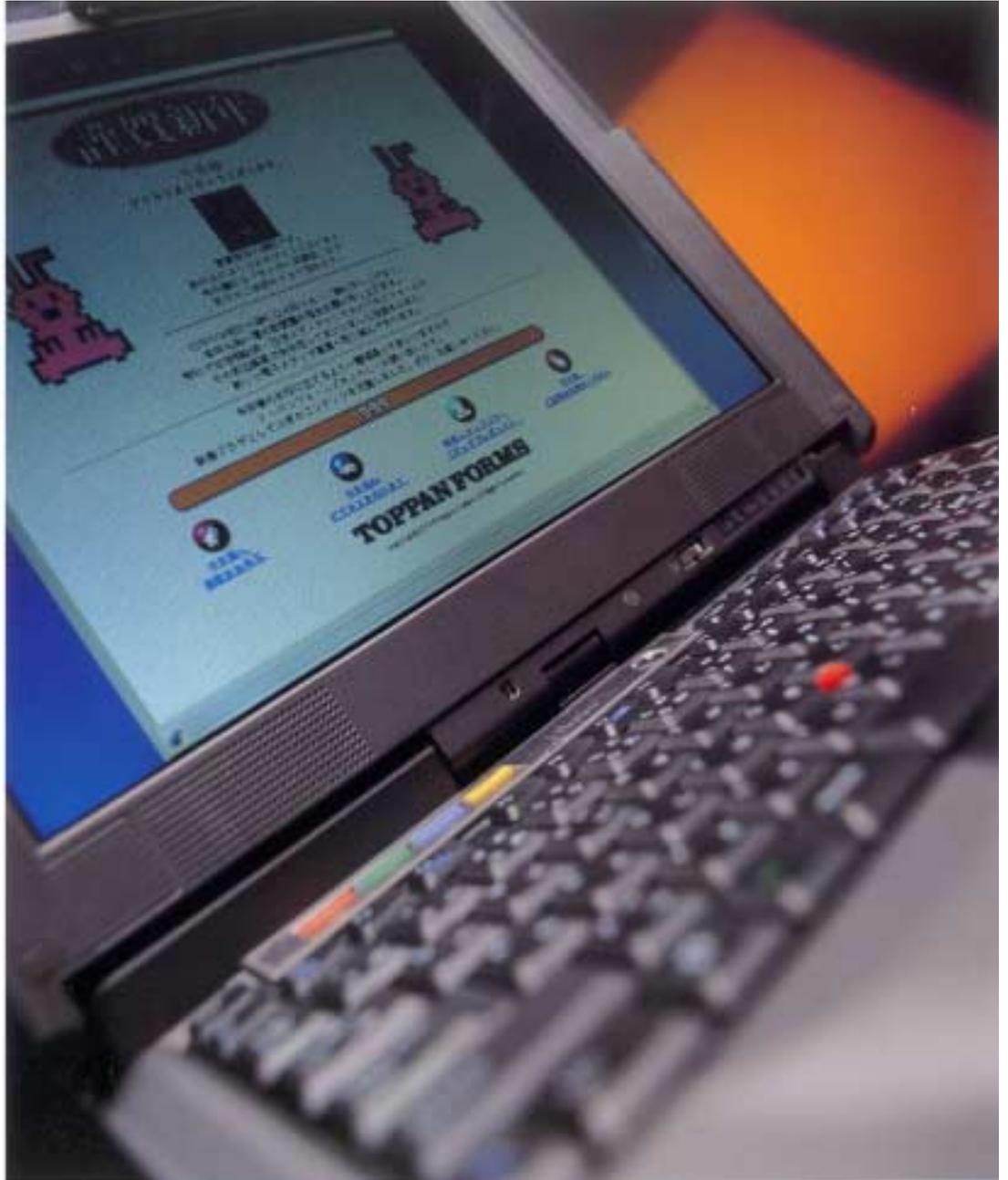
Middle
Recycled cut sheet

Right
Toppan Forms' office supply catalog

NEW CHARACTER BUSINESS

In February 2000, Toppan Forms obtained an exclusive license in Japan for the use and marketing of the Goodie Bear, a character designed by Douglas TenNapel, a leading clay animator in the United States. Based on the concept of "making the character the corporate spokesperson," we aim to develop new business fields by utilizing a new type of communications program featuring not only printed materials but also Internet-based direct mail and e-mail.





Top
IC card

Bottom
Double Peel Type
Waterproof POSTEX®

TIE-UP WITH MOTOROLA FOR DEVELOPMENT OF NON-CONTACT IC LABELS AND FORMS

In September 1999, Toppan Forms entered an agreement with Motorola, Inc., of the United States, for cooperation in the development and sale of non-contact IC labels and forms to which IC chips will be attached. The products will have one-kilobit of memory that can be written to as many times as needed. This advanced technology involves the use of special ink to print antennas on the back of forms, such as shipping forms and production control labels, and to attach the IC chips.



RESEARCH AND DEVELOPMENT

About 5.4% of Toppan Forms' employees are involved in R&D, and the Company spent ¥1.9 billion (\$18 million) on R&D in fiscal 2000. Toppan Forms' R&D activities cover a wide range of areas, including basic research into materials used in the Company's products, the development of new peripheral equipment and the improvement of existing equipment, and the development of technologies and software for data processing and printing. Toppan Forms aims to maintain its leading-edge technical skills by aggressively promoting cooperative R&D with corporations, universities, and research institutions. The Company has also established a base in Silicon Valley, in the United States, that enables it to acquire and take advantage of information about the latest technological advances.

Toppan Forms' fundamental approach to management centers on proposing integrated solutions that are based on a constant emphasis on customer needs. The Company's R&D units work in close cooperation with the planning and sales promotion divisions. Customer-oriented R&D results in high-value-added products that are closely linked to market needs and is a key factor in the Company's growth.

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

NETWORK

Toppan Forms' network of marketing, production, and distribution bases covers all regions of Japan. This network allows the Company to respond promptly and accurately to customers' orders.

The Company maintains 60 sales offices throughout Japan, primarily in major cities. Marketing and support staff are knowledgeable not only in business forms but also in systems for using the forms and in marketing. They use that knowledge to provide the best products and services to meet customer needs.

Toppan Forms has eight main plants, two of which are operated by Toppan Forms (Hamamatsu) Co., Ltd., with production allocated to each plant according to the types of forms being manufactured. We have nine plants (four operated by subsidiaries) that focus on meeting demand within certain regions, and two specialized plants that produce only specified products.

The Company's distribution operations comprise seven distribution centers and 23 warehouses located throughout the country. The output of the plants is supplied to customers through the nationwide distribution network.

SUBSIDIARIES

Toppan Forms has 10 domestic subsidiaries: five that manufacture products; two that handle after-sales service, including DPS; one that dispatches temporary computer staff; one that provides maintenance; and one that conducts sales of equipment and distribution. Toppan Forms thus acts as the core of a powerful integrated information service enterprise.

Overseas, the Company has six subsidiaries in Asia and is bolstering its production and marketing structure in various countries and regions.

FINANCIAL SECTION

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CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars	
	1996	1997	1998	1999	2000	2000	
For the year:							
Net sales	¥151,242	¥173,595	¥176,619	¥175,797	¥180,521	\$1,703,028	
Operating profit	6,580	12,863	17,038	15,251	17,498	165,075	
Income before income taxes	6,189	12,805	16,532	15,374	17,529	165,368	
Net income	1,766	5,335	7,197	7,825	9,710	91,604	
Depreciation	4,700	4,648	4,782	5,321	4,966	46,849	
Capital expenditures	4,586	5,792	17,519	15,765	5,529	52,160	
R&D expenses	1,478	1,847	1,700	1,769	1,910	18,019	
At year-end:							
Total assets	¥99,619	¥109,882	¥125,730	¥126,839	¥133,649	\$1,260,840	
Total shareholders' equity	45,968	50,682	69,182	75,060	82,481	778,123	
Number of shares outstanding (thousands)	10,500	10,500	115,000	115,000	115,000		
Number of employees	5,599	6,287	6,395	6,232	6,139		
Per share data:							
	Yen				U.S. dollars		
Net income	¥ 16.82	¥ 50.81	¥ 65.43	¥ 68.04	¥ 84.44	\$0.80	
Cash dividends	70.00	105.00	15.00	17.00	20.00	0.19	
Shareholders' equity	437.79	482.68	601.59	652.69	717.23	6.77	
Ratios:							
	Percent						
Equity ratio	46.1%	46.1%	55.0%	59.2%	61.7%		
Return on net sales	1.2	3.1	4.1	4.5	5.4		
Return on assets	1.8	5.1	6.1	6.2	7.5		
Return on shareholders' equity	3.9	11.0	12.0	10.8	12.3		

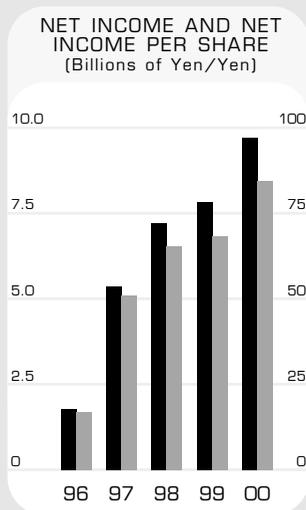
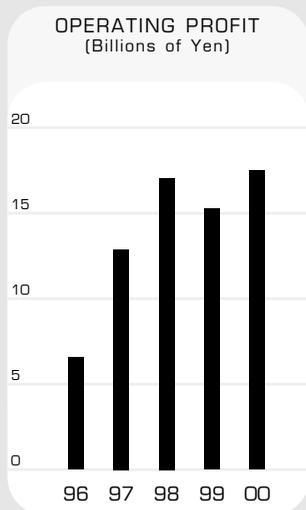
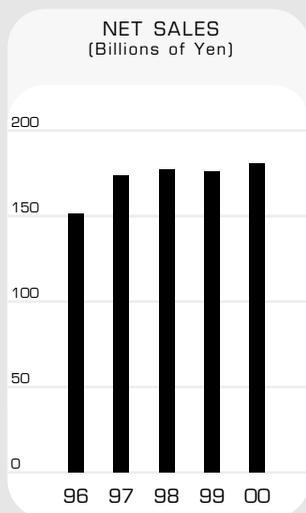
Notes: 1. U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥106=U.S.\$1, as at March 31, 2000.

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 as adjusted for the stock splits made on August 1, 1997. The amounts for prior periods have been restated. Cash dividends per share represent the actual amounts applicable to earnings of the respective years.

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

FINANCIAL REVIEW



■ Net Income
■ Net Income per Share (yen)

OVERVIEW OF OPERATIONS

During fiscal 2000, ended March 31, 2000, there were some signs of recovery in the Japanese economy, centered on IT-related areas. Nonetheless, a difficult employment environment and other factors adversely affected consumer sentiment, and business conditions became more harsh. In the business forms industry, the operating environment remained challenging as price competition intensified, the growing use of digital technologies led to structural changes in demand, and raw materials prices increased.

In this environment, Toppan Forms strengthened its cooperation with Group companies in Japan and overseas, reinforced its customer orientation, bolstered its comprehensive proposal-based marketing activities, and worked to raise its productivity. As a result, the Company achieved increases in both sales and profits.

INCOME AND EXPENSES

Consolidated net sales rose 2.7% year on year in fiscal 2000, to ¥180.5 billion (\$1,703 million). Printing Business sales increased 4.2%, to ¥143.7 billion (\$1,355 million), accounting for 79.6% of net sales. In business forms, intensifying competition led to price declines, but sales volume increased, with strong performances recorded by POSTEX® and other mail-related forms and by security forms. Favorable results were also achieved in DPS, where growth in outsourcing led to a higher volume of invoices and other business mail and the trend toward personalization resulted in new orders for direct mail from the financial and retail industries. DPS sales rose 16.6%, to ¥30.6 billion (\$289 million). Furthermore, starting with the year under review, we have reclassified certain lines of business. Multimedia-related products, such as electronic forms and Cyber DM, which had previously been included in the Other Products and Services category, have been moved to Business Forms.

Sales in the Other Products and Services category, which includes equipment, supplies, and services, declined 2.7%, to ¥36.8 billion (\$348 million), during the past year. In equipment, sales of office equipment declined because companies postponed new projects. Sales of supplies, however, were favorable due to higher demand for paper products and consumables related to personal computers and printers.

The Company's cost of sales rose 1.5% from the previous year, to ¥129.3 billion (\$1,220 million). With higher sales, the cost of outsourcing processing increased, but production efficiency was raised and raw materials costs declined. Gross profit rose 5.9% year on year, to ¥51.2 billion (\$483 million), and the gross profit margin rose 0.9 percentage points, to 28.4%.

Selling, general and administrative expenses edged up 1.8%, to ¥33.7 billion (\$318 million). This increase was principally due to a rise in freight charges accompanying higher sales. On the other hand, as a result of cost reductions due to rationalization measures, the overall increase was held to a low level. Operating profit rose 14.7% year on year, to ¥17.5 billion (\$165 million).

Other income decreased 2.1% from fiscal 1999, to ¥1.1 billion (\$10 million), and other expenses rose 6.9%, to ¥1.1 billion (\$10 million). Consequently, net other income was ¥31 million (\$0.3 million), compared with ¥123 million in the previous fiscal year.

Income before income taxes increased 14.0%, to ¥17.5 billion (\$165 million), and income taxes rose 2.7%, to ¥7.7 billion (\$73 million).

Consolidated net income rose 24.1% year on year, to ¥9.7 billion (\$92 million). Net income per share reached ¥84.44 (\$0.80).

Return on equity (ROE) improved to 12.3%, from 10.8% in the previous year, while return on assets (ROA) improved from 6.2% to 7.5%.

DIVIDEND POLICY

The provision of stable dividend payments to shareholders is one of Toppan Forms' most important objectives, and the Company determines dividends with consideration for corporate performance and payout ratio. The Company raised its per-share dividend applicable to the year by ¥3.00 (\$0.03), from ¥17.00 in fiscal 1999 to ¥20.00 (\$0.19) in fiscal 2000. As a result, the non-consolidated payout ratio was 24.6%, compared with 25.4% in the previous year. Toppan Forms will continue to provide dividends based on a stable payout ratio while strengthening its financial structure and aggressively returning profits to its shareholders.

FINANCIAL POSITION

At the end of fiscal 2000, Toppan Forms' total assets were ¥133.6 billion (\$1,261 million), up 5.4%, or ¥6.8 billion (\$64 million), from a year earlier. This increase was principally attributable to a ¥6.4 billion (\$61 million) rise in current assets, which resulted primarily from an increase of ¥5.2 billion (\$49 million) in cash and cash equivalents, a reflection of favorable marketing activities, and to an increase of ¥1.1 billion (\$10 million) in notes and accounts receivable, trade, due to higher sales.

Total liabilities at the end of fiscal 2000 decreased 1.2% from the previous fiscal year-end, to ¥50.6 billion (\$477 million). Notes and accounts payable, trade, declined ¥911 million (\$9 million) due to changes in the payment terms of notes payable. In short-term borrowings, the Company's overseas subsidiaries worked to enhance the efficiency of their funding by repaying the borrowings. Consequently, the aggregate balance of interest-bearing debt at the end of fiscal 2000 (including long-term debt) declined 28.8% from a year earlier, to ¥873 million (\$8 million).

Due to profit growth posted during the year under review, total shareholders' equity expanded 9.9%, to ¥82.5 billion (\$778 million) at year-end. Net assets per share at the end of the year were ¥717.23 (\$6.77), compared with ¥652.69 at the end of fiscal 1999. The equity ratio increased from 59.2% to 61.7%.

CASH FLOW

During fiscal 2000, net cash provided by operating activities declined 10.9% year on year, to ¥12.7 billion (\$120 million). Income before income taxes increased, but accounts receivable rose accompanying higher sales.

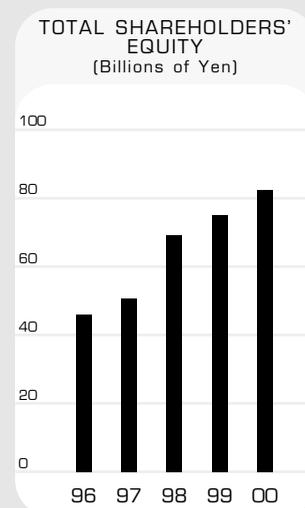
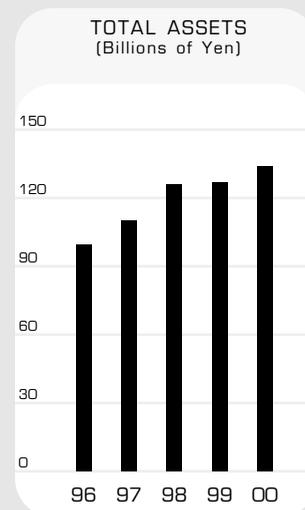
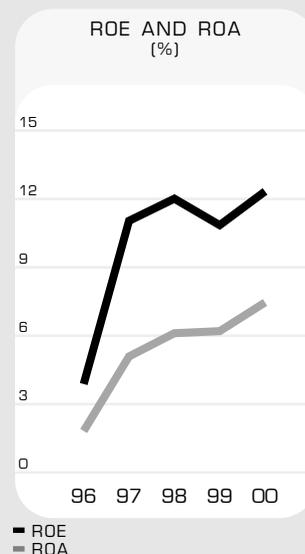
Net cash used in investing activities was ¥4.4 billion (\$42 million), compared with ¥18.8 billion in the previous year. This decrease was principally attributable to payments in the previous fiscal year for the acquisition of land for the Company's new Head Office building.

Net cash used in financing activities was ¥2.5 billion (\$24 million) in fiscal 2000, compared with ¥2.6 billion in the previous year.

At the end of fiscal 2000, cash and cash equivalents stood at ¥16.8 billion (\$158 million), up 52.2% from ¥11.0 billion at the previous fiscal year-end.

CAPITAL EXPENDITURES

Capital expenditures declined 64.9%, to ¥5.5 billion (\$52 million). Major capital investment projects included the construction of a digital forms manufacturing line at the Shizuoka Plant and the installation of rationalization equipment to increase efficiency in business forms and DPS processing at major plants, such as the Hino Plant.



CONSOLIDATED BALANCE SHEETS

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	2000	2000
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 11,011	¥ 16,167	\$ 152,519
Marketable securities (Notes 3 and 5)	505	600	5,660
Notes and accounts receivable, trade (Note 4)	33,087	34,192	322,566
Inventories (Note 6)	12,571	12,336	116,377
Deferred income taxes assets (Note 12)	715	1,022	9,642
Other current assets	1,906	1,912	18,038
Total current assets	59,795	66,229	624,802
Fixed assets:			
Property, plant and equipment:			
Land	16,953	17,001	160,387
Buildings and facilities	27,103	27,999	264,141
Machinery, equipment and vehicles	51,788	51,287	483,840
Tools and furniture	10,134	9,827	92,707
Construction in progress	518	1,165	10,991
	106,496	107,279	1,012,066
Less: Accumulated depreciation	(58,161)	(59,337)	(559,783)
Property, plant and equipment, net	48,335	47,942	452,283
Investment securities and other assets:			
Investment securities (Note 5)	5,556	6,428	60,642
Leasehold deposits	5,233	4,470	42,170
Insurance funds	4,458	4,441	41,896
Deferred income taxes assets (Note 12)	760	816	7,698
Other assets	2,143	2,512	23,698
Total investment securities and other assets	18,150	18,667	176,104
Total fixed assets	66,485	66,609	628,387
Foreign currency translation adjustments	559	811	7,651
Total assets	¥126,839	¥133,649	\$1,260,840

The accompanying notes are an integral part of these statements.

March 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	2000	2000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 7)	¥ 1,101	¥ 773	\$ 7,292
Notes and accounts payable:			
-Trade (Note 4)	31,102	30,191	284,821
-Construction	2,254	2,225	20,991
Accrued income taxes (Note 12)	4,287	4,382	41,340
Accrued bonuses to employees	4,332	4,209	39,707
Other current liabilities	7,075	7,832	73,887
Total current liabilities	50,151	49,612	468,038
Long-term liabilities:			
Long-term debt (Note 7)	126	100	943
Accrued severance indemnities (Note 8)	599	645	6,085
Deferred income taxes liabilities (Note 12)	231	151	1,424
Other long-term liabilities	94	59	557
Total long-term liabilities	1,050	955	9,009
Minority interest in consolidated subsidiaries	578	601	5,670
Shareholders' equity (Note 9):			
Common stock, ¥50 par value–			
Authorized: 400,000,000 shares			
Issued: 115,000,000 shares	11,750	11,750	110,849
Additional paid-in capital	9,270	9,270	87,453
Retained earnings	54,041	61,461	579,821
	75,061	82,481	778,123
Treasury stock, at cost			
1999: 400 shares	(1)	–	–
Total shareholders' equity	75,060	82,481	778,123
Contingent liabilities (Note 16)			
Total liabilities and shareholders' equity	¥126,839	¥133,649	\$1,260,840

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)
	1998	1999	2000	2000
Net sales (Note 4)	¥176,619	¥175,797	¥180,521	\$1,703,028
Cost of sales (Notes 4 and 10)	125,692	127,444	129,328	1,220,075
Gross profit	50,927	48,353	51,193	482,953
Selling, general and administrative expenses (Notes 10, 11 and 13)	33,889	33,102	33,695	317,878
Operating profit	17,038	15,251	17,498	165,075
Other income:				
Interest and dividend income	150	127	89	840
Other income	1,014	989	1,004	9,472
	1,164	1,116	1,093	10,312
Other expenses:				
Interest expenses	(323)	(175)	(70)	(660)
Devaluation of securities	(435)	(394)	–	–
Disposal of machinery and others	(110)	(140)	(383)	(3,613)
Devaluation of membership	–	–	(324)	(3,057)
Stock issue costs	(264)	–	–	–
Other expenses	(538)	(284)	(285)	(2,689)
	(1,670)	(993)	(1,062)	(10,019)
Income before income taxes	16,532	15,374	17,529	165,368
Income taxes (Note 12):				
Current	8,733	7,699	8,142	76,811
Deferred	485	(183)	(421)	(3,972)
	9,218	7,516	7,721	72,839
Minority interest in consolidated subsidiaries	(117)	(33)	(98)	(925)
Net income	¥ 7,197	¥ 7,825	¥ 9,710	\$ 91,604
		Yen		U.S. dollars (Note 1)
Per share of common stock (Note 15):				
Net income	¥65.43	¥68.04	¥84.44	\$0.80
Cash dividends applicable to the year	¥15.00	¥17.00	¥20.00	\$0.19

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)
	1998	1999	2000	2000
Common stock:				
Beginning of period	¥ 7,500	¥11,750	¥11,750	\$110,849
Add:				
New shares issued (Note 9)	4,250	–	–	–
End of period	¥11,750	¥11,750	¥11,750	\$110,849
Additional paid-in capital:				
Beginning of period	¥2,500	¥9,270	¥9,270	\$87,453
Add:				
New shares issued (Note 9)	6,770	–	–	–
End of period	¥9,270	¥9,270	¥9,270	\$87,453
Retained earnings:				
Beginning of period	¥40,682	¥48,162	¥54,041	\$509,821
Add:				
Net income	7,197	7,825	9,710	91,604
Cumulative effect of deferred income taxes newly adopted accounting for income taxes	1,744	–	–	–
Deduct:				
Cash dividends paid	1,365	1,840	2,185	20,613
Bonuses to directors	96	106	105	991
End of period	¥48,162	¥54,041	¥61,461	\$579,821
Treasury stock at cost:				
Beginning of period	¥ –	¥ –	(¥ 1)	(\$ 9)
Net change resulting from purchase and sales of fractional shares of less than “One Unit” as defined by the Japanese Commercial Code	–	(1)	1	9
End of period	¥ –	(¥1)	¥ –	\$ –

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)
	1998	1999	2000	2000
Cash flows from operating activities:				
Income before income taxes	¥16,532	¥15,374	¥17,529	\$165,368
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	4,793	5,321	4,966	46,849
Other	988	421	411	3,877
Changes in current assets and liabilities:				
Decrease (increase) in notes and accounts receivable	(1,586)	1,648	(1,119)	(10,557)
Decrease (increase) in inventories	(642)	(64)	94	887
Increase (decrease) in notes and accounts payable	(113)	528	(793)	(7,481)
Other, net	(268)	(238)	(385)	(3,632)
Sub total	19,704	22,990	20,703	195,311
Interest and dividends receipt	149	123	87	821
Interest paid	(330)	(141)	(60)	(566)
Income taxes paid	(8,752)	(8,735)	(8,048)	(75,925)
Net cash provided by operating activities	10,771	14,237	12,682	119,641
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(13,237)	(19,078)	(4,703)	(44,368)
Proceeds from sales of property, plant and equipment	85	33	190	1,792
Acquisition of marketable securities	(1,700)	(896)	–	–
Proceeds from sales of marketable securities	2,408	396	–	–
Acquisition of investment securities	(2,554)	(195)	(365)	(3,443)
Proceeds from sales of investment securities	362	–	7	66
Investment in subsidiary	(484)	–	–	–
Provided by other investing activities	1,225	2,423	2,279	21,500
Used in other investing activities	(1,120)	(1,436)	(1,828)	(17,245)
Net cash used in investing activities	(15,015)	(18,753)	(4,420)	(41,698)
Cash flows from financing activities:				
Decrease in short-term borrowings	(5,865)	(624)	(161)	(1,519)
Increase (decrease) in long-term debt	(946)	84	(51)	(481)
Repayments of capital lease obligation	(89)	(104)	(81)	(764)
Proceeds from issuance of common stock	10,756	–	–	–
Dividends paid	(1,387)	(1,921)	(2,202)	(20,773)
Other, net	–	(1)	1	9
Net cash provided by (used in) financing activities	2,469	(2,566)	(2,494)	(23,528)
Effect of exchange rate changes on cash and cash equivalents	6	(15)	(17)	(160)
Net increase (decrease) in cash and cash equivalents	(1,769)	(7,097)	5,751	54,255
Cash and cash equivalents at beginning of year	19,882	18,113	11,016	103,924
Cash and cash equivalents at end of year (Note 3)	¥18,113	¥11,016	¥16,767	\$158,179

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the consolidated financial statements of TOPPAN FORMS CO., LTD. (the "Company") filed with the Ministry of Finance in accordance with the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects to the application and disclosure requirement of International Accounting Standards. Effective from the year beginning from April 1, 1999, the consolidated statements of cash flows have been required as part of the basic financial statements in accordance with the amendment of "Regulation Concerning Terminology, Forms and Method of Preparation of Consolidated Financial Statements" dated April 16, 1999. The consolidated statements of cash flows for the year ended March 31, 2000 have been prepared in accordance with the new accounting standard, and the consolidated statements of cash flows for the years ended March 31, 1998 and 1999 have been presented to conform to the new accounting standard. In addition, consolidated statements of shareholders' equity are not required as part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form, which is more familiar to readers outside Japan. The information provided in the notes to the consolidated financial statements, some of which are not required under accounting principles generally accepted in Japan, are presented for the convenience of the readers.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106=U.S.\$1, the approximate rate of exchange at March 31, 2000. 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, with minor exceptions, all its majority-owned subsidiaries.

Investments in all its affiliated companies, with minor exceptions, are accounted for by the equity method.

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

All significant intercompany balances and transactions, and unrealized profit included in assets have been eliminated in 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) Marketable and investment securities

Marketable securities are stated at the lower of average cost or market. Other securities are stated at average cost.

(4) Inventories

Inventories are stated at cost.

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

(5) Property, plant and equipment and depreciation

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

Until March 31, 1998, depreciation of buildings of the Company and its domestic consolidated subsidiaries had been computed by the declining-balance method. Effective April 1, 1998, the Company and its domestic consolidated subsidiaries changed their depreciation method to be computed by the straight-line method due to the reform of the Japanese income tax regulations.

Due to this change, depreciation for the year ended March 31, 1999, was decreased by ¥67 million, and operating profit and income before income taxes for the year ended March 31, 1999, were increased by ¥59 million, as compared with the amounts which would have been reported if the previous method had been applied consistently.

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

(6) Accrued bonuses to employees

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

(7) Bonuses to directors

Bonuses to directors are appropriated from retained earnings following shareholders' approval at the ordinary shareholders meeting which will be held three months followed by fiscal year end. These bonuses are generally not deductible for tax purposes.

(8) Severance indemnities and pension plan

The Company and its certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations covering employee pensions which is a defined benefit tax qualified pension plan and non contributory plan. The pension plan provides for annuity payments (or a lump-sum payment at the employees' option) over ten years in varying amounts based on length of service and salary at the time of retirement for employees with at least twenty years of service. The plan also provides for lump-sum payments of varying amounts to employees who have served less than twenty years. Pension costs charged to current income include charges for current service and amortization of prior service costs; the contributions are funded outside the Company currently.

Most overseas subsidiaries have the 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 the internal regulations.

(9) Stock issue costs

Stock issue costs are charged to income as incurred.

(10) Income taxes

Deferred income taxes are recognized, by using the assets and liabilities method. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for income tax purposes.

(11) Leases

Financial leases, except for those which transfer ownership of the leased asset to the lessee, are accounted for as operating leases.

(12) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements in the year that appropriations of retained earnings are approved at the shareholders meeting which will be held in the following year.

(13) Foreign currency translation

The assets, liabilities, income and expenses of foreign subsidiaries are translated into Japanese yen at applicable current rates at year end. The effects of these translation adjustments are reported in the foreign currency translation adjustment accounts in assets or liabilities. The translation of assets and liabilities denominated in foreign currency at year end is made at 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.

(14) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 1998 and 1999, have been made to conform to the presentation in the year ended March 31, 2000.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31 comprise the followings:

March 31	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Cash and cash equivalents	¥18,145	¥11,011	¥16,167	\$152,519
Time deposit with original maturities over three months	(32)	–	–	–
Marketable securities	–	5	600	5,660
	¥18,113	¥11,016	¥16,767	\$158,179

4. ACCOUNTS BALANCE AND TRANSACTIONS WITH RELATED PARTIES

There are several related party transactions that are mainly the purchase of commercial printed products from and sale of business forms products to Toppan Printing Co., Ltd. which owns a 58.6% share of Company's common stock share. The transactions were made at arm's length price which is considered with price at market.

Sales to Toppan Printing Co., Ltd for the years ended March 31, 1998, 1999 and 2000 amounted to ¥4,343 million, ¥4,776 million and ¥5,581 million, respectively. The purchases from Toppan Printing Co., Ltd for each three year were ¥2,349 million, ¥2,736 million and ¥3,423 million, respectively. The balance of receivables from Toppan Printing Co., Ltd. as of March 31, 1999 and 2000 amounted to ¥1,258 million and ¥1,591 million, respectively. The balance of payable to Toppan Printing Co., Ltd. amounted to ¥411 million and ¥636 million, respectively. With respect to the transactions with affiliates they are immaterial.

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities include equity, debt and other securities of which the aggregate book value, fair value and unrealized gains are as follows:

March 31	Millions of yen								
	1998			1999			2000		
	Book value	Fair value	Unrealized gains	Book value	Fair value	Unrealized gains	Book value	Fair value	Unrealized gains
Marketable securities:									
Equity securities	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Debt securities and others	–	–	–	505	505	–	600	600	–
	–	–	–	505	505	–	600	600	–
Investment securities:									
Equity securities	5,787	6,940	1,153	5,556	7,536	1,980	5,889	9,897	4,008
Debt securities and others	–	–	–	–	–	–	539	539	–
	5,787	6,940	1,153	5,556	7,536	1,980	6,428	10,436	4,008
Total	¥5,787	¥6,940	¥1,153	¥6,061	¥8,041	¥1,980	¥7,028	¥11,036	¥4,008

March 31	Thousands of U.S. dollars		
	Book value	Fair value	Unrealized gains
Marketable securities:			
Equity securities	\$ —	\$ —	\$ —
Debt securities and others	5,660	5,660	—
	5,660	5,660	—
Investment securities:			
Equity securities	55,557	93,368	37,811
Debt securities and others	5,085	5,085	—
	60,642	98,453	37,811
Total	\$66,302	\$104,113	\$37,811

6. INVENTORIES

Inventories comprise the following:

March 31	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Finished products	¥ 7,094	¥ 7,491	¥ 7,407	\$ 69,877
Purchased finished goods	2,181	2,117	2,187	20,632
Work in process	918	868	819	7,726
Raw materials and supplies	2,314	2,095	1,923	18,142
	¥12,507	¥12,571	¥12,336	\$116,377

7. BORROWINGS

Short-term borrowings primarily consist of short-term bank loans by certain overseas subsidiaries. The annual interest rates applicable to the short-term bank loans ranged from 3.5 to 8.25 per cent at March 31, 2000.

Long-term debt at March 31, 2000, comprises the following:

	Millions of yen	Thousands of U.S. dollars
Loans from Japanese banks and others:		
Unsecured—2.0 per cent due 2001	¥100	\$943

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
2001	¥ —	\$ —
2002	100	943
2003	—	—
2004	—	—
2005	—	—
	¥100	\$943

8. SEVERANCE INDEMNITIES AND PENSION PLAN

At March 31, 2000, the pension fund liability under the Japanese pension insurance law for employee of the Company and certain of its domestic consolidated subsidiaries amounted to ¥22,596 million (\$213,170 thousand). Pension fund assets at that date approximated ¥18,871 million (\$178,038 thousand) at cost. The shortage of such pension fund is amortized over three years and 11 months.

With respect to retirement allowance for directors and statutory auditors the Company has provided for amount of obligations at year end if all of them would be terminated.

9. SHAREHOLDERS' EQUITY

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

The Commercial Code of Japan provides that:

- (1) Upon a resolution of the Board of Directors, appropriations for interim cash dividends and the related transfer to the legal reserve as described in (3) may be made from unappropriated retained earnings brought forward;
- (2) All other appropriations of retained earnings, including year end dividends and bonuses to directors and statutory corporate auditors, require approval of the shareholders at an ordinary general meeting of shareholders; and
- (3) An amount equal to at least 10 per cent of cash dividends and other cash distributions from retained earnings paid by company must be appropriated from retained earnings as a legal reserve; no further appropriation is required when the legal reserve equals 25 per cent of stated capital.

The legal reserve was included in retained earnings as the result of the reform of the Japanese Regulation concerning Consolidated Financial Statements effective April 1, 1998, and the related reclassification was made to previously reported amounts to conform to the 1999 presentation.

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. The 2000 year end appropriation of retained earnings of the Company, which was approved at the ordinary general meeting of shareholders held in June 2000, is presented below:

	Millions of yen	Thousands of U.S. dollars
Appropriation for:		
Legal reserve	¥ 123	\$ 1,160
Cash dividends, ¥10.00 (\$0.09) per share	1,150	10,849
Bonuses to directors	81	764
General reserve	7,500	70,755
	<u>¥8,854</u>	<u>\$83,528</u>

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses, which is charged to income when incurred under new accounting standards, included in cost of sales and selling, general and administrative expenses approximated ¥1,910 million (\$18,019 thousand) for the year ended March 31, 2000. The disclosure of research and development expenses has been required under accounting principles from the fiscal year ended March 31, 2000.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Salaries and bonuses	¥12,380	¥12,310	¥11,787	\$111,198
Provision for bonuses to employees	1,578	1,578	1,426	13,472
Depreciation	805	958	733	6,915
Rent expense	4,912	4,222	3,856	36,378
Freight charges	4,795	4,966	5,408	51,019
Other	9,419	9,068	10,483	98,896
Total	¥33,889	¥33,102	¥33,695	\$317,878

12. 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 the aggregate, indicate a statutory tax rate in Japan of approximately 48 per cent, which was effective April 1, 1998, as a result of the reform of Japanese income tax regulations. Since the fiscal year beginning from April 1, 1999, the statutory tax rate in Japan was again reduced to approximately 42 per cent as a result of the tax reform.

Significant components of deferred tax assets and liabilities at March 31, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
(Current assets)		
Deferred tax assets:		
Accrued bonuses	¥ 588	\$5,547
Enterprise tax	379	3,576
Others	55	519
Total	¥1,022	\$9,642
(Fixed assets)		
Deferred tax assets:		
Depreciation	¥ 326	\$ 3,076
Accrued severance indemnities	258	2,434
Bad debt reserve	104	981
Others	236	2,226
Total	924	8,717
Deferred tax liabilities:		
Undistributed earnings of foreign subsidiaries	(108)	(1,019)
Total	(108)	(1,019)
Deferred tax assets, net.	¥ 816	\$ 7,698
(Fixed liabilities)		
Deferred tax liabilities:		
Depreciation	¥165	\$1,556
Others	2	19
Total	167	1,575
Deferred tax assets	(16)	(151)
Deferred tax liabilities, net.	¥151	\$1,424

The disclosure of significant components of deferred tax assets and liabilities has been required under new accounting standards from the fiscal year beginning from April 1, 1999. Accordingly, the component of deferred tax assets as of March 31, 1998 and 1999 are not available.

13. LEASES

Financial leases, except for those which are deemed to transfer the ownership of the leased assets to lessees, are generally accounted for as ordinary operating leases. Certain information on such lease contracts of the Company as a lessee is shown below:

(1) Financial lease transactions except for those which transfer the ownership of the leased assets to the lessee are as follows:

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

March 31	Millions of yen		Thousands of U.S. dollars
	1999	2000	2000
Machinery, equipment and vehicles	¥ 715	¥ 911	\$ 8,594
Tools and furniture	4,852	6,082	57,377
Other assets	71	165	1,557
Accumulated depreciation	(3,099)	(3,791)	(35,764)
	¥ 2,539	¥ 3,367	\$ 31,764

(b) The future lease payment under the finance leases are as follows:

March 31	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Due within one year	¥ 618	¥ 932	¥1,209	\$11,406
Due over one year	1,260	2,523	3,384	31,924
	¥1,878	¥3,455	¥4,593	\$43,330

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

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Lease expense	¥1,237	¥934	¥1,237	\$11,670
Amount representing depreciation		¥888	¥1,383	\$13,047
Amount representing interest		¥117	¥152	\$1,434

(2) The minimum lease payments under operating leases are as follows:

March 31	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Due within one year	¥ 712	¥ 550	¥ 629	\$ 5,934
Due over one year	3,186	2,420	2,363	22,292
Total minimum lease payments	¥3,898	¥2,970	¥2,992	\$28,226

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and consolidated foreign subsidiaries use derivative financial instruments selectively, to manage floating interest rate risk and to hedge foreign exchange risk.

The contract amount of forward exchange contracts as of March 31, 2000 totaled to ¥61 million (\$575 thousand). The fair value that was estimated by obtaining quotes from managing banks, amounted to ¥61 million (\$575 thousand). The nominal contract amount of interest rate swaps as of March 31, 2000 was ¥198 million (\$1,868 thousand), and its fair value amounted to be immaterial.

To reduce the credit risk of counterparties in derivative transactions, the Company and consolidated foreign subsidiaries select major, creditworthy financial institutions as counterparties.

15. PER SHARE INFORMATION

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

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

16. CONTINGENT LIABILITIES

On March 31, 2000, a judgment for the pending lawsuit of Social Insurance Agency's case was made by the Tokyo District Court with penalty of ¥1,232 million which includes delayed interest. The Company has decided not to appeal to the upper court in order to have a recovery of normal transaction with Social Insurance Agency. As the Company had recorded the liability for this obligation in previous years, there were no material additional charges in the consolidated statements of income for the year ended March 31, 2000. Another lawsuits filed for product liability were also settled in April 2000. The damages did not have a material effect on the consolidated financial statements. Accordingly, there are no material pending lawsuits.

17. SEGMENT INFORMATION

(1) Industry Segments

March 31, 1998	Millions of yen				
	Printing business	Other businesses	Total	Elimination/ Corporate	Consolidated
I. Net sales:					
(1) Outside customers	¥140,367	¥36,252	¥176,619	¥ –	¥176,619
(2) Inter-segment	–	564	564	(564)	–
Total	140,367	36,816	177,183	(564)	176,619
Operating expenses	121,363	35,271	156,634	2,947	159,581
Operating profit	¥ 19,004	¥ 1,545	¥ 20,549	(¥ 3,511)	¥ 17,038
II. Assets, depreciation and capital expenditures:					
Assets	¥90,277	¥12,716	¥102,993	¥22,737	¥125,730
Depreciation	4,655	127	4,782	–	4,782
Capital expenditures	17,485	34	17,519	–	17,519

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

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

Thousands of U.S. dollars

March 31, 2000	Printing business	Other businesses	Total	Elimination/ Corporate	Consolidated
I. Net sales:					
(1) Outside customers	\$1,355,415	\$347,613	\$1,703,028	\$ –	\$1,703,028
(2) Inter-segment	2,142	6,707	8,849	(8,849)	–
Total	1,357,557	354,320	1,711,877	(8,849)	1,703,028
Operating expenses	1,163,170	345,226	1,508,396	29,557	1,537,953
Operating profit	\$ 194,387	\$ 9,094	\$ 203,481	(\$38,406)	\$ 165,075
II. Assets, depreciation and capital expenditures:					
Assets	\$901,849	\$104,481	\$1,006,330	\$254,510	\$1,260,840
Depreciation	46,066	783	46,849	–	46,849
Capital expenditures	52,019	141	52,160	–	52,160

Notes:

- a. Segments by business activity are determined by considering the line of product, market of products and management control of 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 printing business, business information operating service and other.
- c. Corporate expenses out of operating expenses mainly include administrative expenses of the Company.
- d. Corporate assets mainly include short-term deposits and long-term investments of the Company.
- e. From the fiscal year ended March 31, 2000, certain business of the Company has been reclassified among industry segments in connection with reconsideration of business activities. New-media-related businesses, formerly included in "Other business", were transferred to the "Printing business" segment in order to have been in more strength of relation with "Printing Business". The effect of this change was immaterial.

(2) Geographic Areas

The sales of the consolidated subsidiaries located in countries or regions other than Japan are not presented due to insignificant effect.

REPORT OF INDEPENDENT ACCOUNTANTS

June 29, 2000

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, 1999 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in Japan. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in Japan which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



PricewaterhouseCoopers
(Certified Public Accountants)

Notice to Readers:

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

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

PRINCIPAL SUBSIDIARIES AND AFFILIATES

(As of June 29, 2000)

Name	Country	Main business	Issued capital (Thousands)	Equity held by the Company (%)
Toppan Forms (Hamamatsu) Co., Ltd.	Japan	Manufacture of business forms	¥ 100,000	100.0
Toppan Forms Operation Co., Ltd.	Japan	Operation and administration of computers	¥ 100,000	100.0
Toppan Form Process Co., Ltd.	Japan	Processing of business forms and DPS operations	¥ 100,000	100.0
Techno Toppan Forms Co., Ltd.	Japan	Sale, maintenance, and repair of office equipment	¥ 100,000	100.0
Toppan Forms Logistics and Services Co., Ltd.	Japan	Distribution, delivery, and storage services	¥ 50,000	100.0
T.F. Company Limited	Hong Kong	Holding company	HK\$15,000	100.0
Toppan Forms Card Technologies Ltd.	Hong Kong	Manufacture and sale of plastic cards; sale of card-related products	HK\$ 2,000	70.0 ¹
Toppan Forms (Hong Kong) Ltd.	Hong Kong	Manufacture and sale of business forms; sale of plastic cards, computer supplies, and office automation machines	HK\$10,000	70.0 ²
Toppan Forms Computer Systems Ltd.	Hong Kong	Sale of computers, computer-related appliances, and other office appliances; development and sale of software	HK\$ 2,000	100.0 ³
Toppan Forms (S) Pte. Ltd.	Singapore	Manufacture and sale of business forms; sale of machines for processing business forms	S\$ 1,226	100.0 ⁴

Total number of subsidiaries: 16

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 Wholly owned through Toppan Forms (Hong Kong) Ltd.

⁴ 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 29, 2000)

President and Representative Director

Yasuhiro Fukuda

Executive Vice President

Takashi Sano

Senior Managing Directors

Masateru Kondo

Shizuka Kurokawa

Managing Directors

Mineo Nagayasu

Mikihiko Shijo

Masanori Akiyama

Masahiro Seki

Directors

Naoki Adachi

Masaki Watanabe

Shigeyuki Yasunaga

Ryuji Ouchi

Tadashi Ichii

Yoshifusa Enomoto

Hiroshi Miyazaki

Takeo Sugi

Hiroyuki Shimizu

Kazuo Kato

Masamichi Kuroda

Statutory Auditors

Tadao Masuda (full-time)

Tsuneo Mogi (full-time)

Masatsugu Mitsugi

Takeshi Toyama

CORPORATE DATA

(As of March 31, 2000)

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

¥82,481 million

Common Stock

Authorized: 400,000,000 shares

Issued: 115,000,000 shares

Stock Listing

Tokyo Stock Exchange

Number of Employees

6,139

TOPPAN FORMS CO.,LTD.

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