

TOPPAN FORMS

Positioned^{for}
Further Growth

Annual Report 2003

About Toppan Forms

Since its establishment in 1955, Toppan Forms Co., Ltd., a pioneer in the business forms industry, has recorded steady growth by developing products and services that incorporate new ideas and by implementing customer-oriented marketing activities. Currently, Toppan Forms is highly regarded as an integrated information management services (IIMS) company that has the ability to provide one-stop solutions to the diversifying needs of its customers.

In an environment marked by rapid expansion in outsourcing, Toppan Forms has built a solid market position through the forward-looking development of a range of products with high growth potential. These products include Data Print Services (DPS), the Company's core, rapidly growing field of operations; digital print on demand (DOD), which uses DPS to offer one-to-one marketing solutions; and, in preparation for the advent of the ubiquitous society, IC tags, in which the Company has drawn on know-how acquired through its business forms operations to develop advanced tags that offer higher value added.

In the future, by taking advantage of its technological strengths in such fields as information tools, information processing, information management, and information services, Toppan Forms will strive to record steady growth by responding rapidly and flexibly to accelerating market changes.

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Consolidated Financial Highlights

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

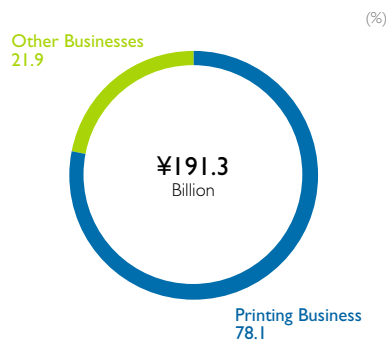
Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
For the year				
Net Sales	¥189,465	¥196,489	¥191,324	\$1,594,367
Operating Profit	18,094	18,888	15,030	125,250
Net Income	9,272	10,584	7,630	63,583
At year-end				
Shareholders' Equity	¥ 89,292	¥ 95,955	¥ 99,969	\$ 833,075
Total Assets	141,515	150,979	148,990	1,241,583
Cash and Cash Equivalents	18,113	24,373	19,836	165,300
Total Liabilities	51,619	54,407	48,598	404,983
		Yen		U.S. dollars

Per share data

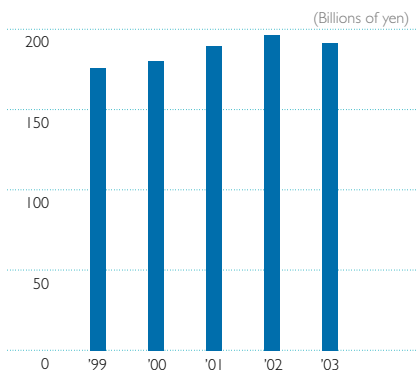
	Yen			U.S. dollars
Net Income:				
Basic	¥80.68	¥92.21	¥65.45	\$0.55
Diluted	—	—	—	—
Cash Dividends	21.00	23.00	23.00	0.19

Note: U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥120=U.S.\$1, as at March 31, 2003.

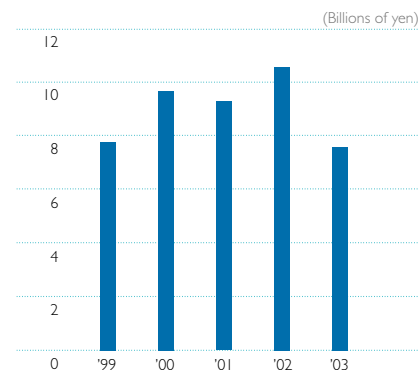
COMPOSITION OF SALES BY BUSINESS SEGMENT



NET SALES



NET INCOME



To Our Shareholders and Friends



Yasuhiro Fukuda
President and CEO

Operating Environment and Results in Fiscal 2003

In fiscal 2003, ended March 31, 2003, deflation and sluggish stock prices worsened sentiment, while capital investment and consumer spending remained lackluster. As a result, the Japanese economy weakened.

The business forms industry faced a continued difficult operating environment. In addition to the delayed economic recovery, the trend toward paperless, digital work led to reduced demand, and intensified competition resulted in declines in product prices. As a result, the volume and composition of printing demand both worsened.

In this environment, Toppan Forms worked to improve its paper media products, such as business forms and DPS, as well as to bolster its comprehensive service system for information management through system planning utilizing IC chips and other electronic media. In addition, with a thorough customer orientation, we implemented integrated, proposal-based sales activities, centered on information management. At the same time, we strove to bolster our competitiveness by systematizing and streamlining production and distribution, including the operations of Toppan Forms Group companies.

In business forms, we conducted focused development of environmentally friendly products and worked to increase sales. The improved version of our EX Form distribution label forms, for example, uses significantly less paper. We also developed envelopes using plant materials and sealed postcards that use recycled paper and offer enhanced water resistance.

In DPS, we introduced advanced equipment and bolstered our original technologies. At the same time, we worked to further reinforce security management. We rebuilt the integrated DPS-only production line at the Fussa Plant and upgraded printing and processing equipment, thereby responding to needs for enhanced functionality and shorter delivery times. In addition, the Tokyo Data Center's system for managing personal information received the Information Security Management System (ISMS) certification from the Japan Quality Assurance Organization. Also, the Osaka Plant received a TPM award from the Japan Institute of Plant Maintenance.

In multimedia-related products, we focused on IC tags, where we aggressively conducted product technological development and system planning. Specifically, we developed such products as visitor management wristbands that utilize wireless automatic recognition technology and flexible tags that use transparent resin.

In fiscal 2003, the Company's consolidated net sales declined 2.6%, to ¥191.3 billion, operating profit decreased 20.4%, to ¥15.0 billion, and net income was down 27.9%, to ¥7.6 billion.

Business Divisions

Printing Business

In business forms, mail-related forms, such as POSTEX® notification forms, and environmentally sensitive distribution related forms recorded increased sales. However, demand declined due to operational streamlining and rationalization, and product prices were down as a result of intensified competition. As a result, business forms sales declined.

In DPS operations, conditions were difficult due to reduced demand for business mail and lower prices for processing. New demand for outsourcing from the financial services industry and, in DOD, personalized educational materials for distance learning contributed to a strong performance in DPS.

Overall, sales in the Business Forms Division declined.

Other Businesses

In our supplies operations, a favorable performance was supported by additions to our product lineup, centered on printer-related consumables and data media, and by expanded sales channels.

In equipment, reduced budgets led to lower investment, and replacement projects were postponed. As a result, sales of equipment declined.

In services, we recorded a solid performance due to the receipt of new orders for network management.

Overall, sales in this segment were strong.

Medium to Long Term Management Strategy

Due to an unsettled international situation and uncertain economic countermeasures, concern

about future economic conditions is increasing, and business conditions are expected to remain difficult. The operating environment in the business forms industry will likely be affected by reduced demand due to digitization and by price declines stemming from intensified competition. Accordingly, the formulation of aggressive countermeasures will be essential.

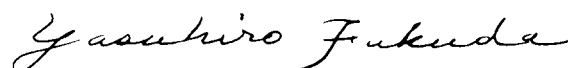
In this setting, we will reinforce our customer orientation, make proposals that meet customer needs, and earn the trust of our customers. To those ends, we will closely track market changes, focus our investment of management resources on growth fields, and promote products that are competitive. In addition, we will effectively use the new Shiodome Head Office Building, optimize our facilities and human resources, and thoroughly reform our cost structure. In this way, we will bolster the Group's management foundation and improve our performance.

Corporate Governance

Toppan Forms considers the achievement of fair, transparent corporate governance that is focused on the interests of shareholders to be its most important management challenge. In accordance with this fundamental principle, we have assigned all directors responsibility for departments and established a corporate control system that clarifies the scope of that responsibility. In addition, by increasing the number of outside directors and implementing rapid decision making and fair management, we have enhanced the functionality of the board of directors. The Company's auditors include three outside auditors, and the directors' administrative activities are being strictly audited.

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

June 2003



Yasuhiro Fukuda
President and CEO

POSITIONED FOR FURTHER GROWTH

Poised to Create New Markets

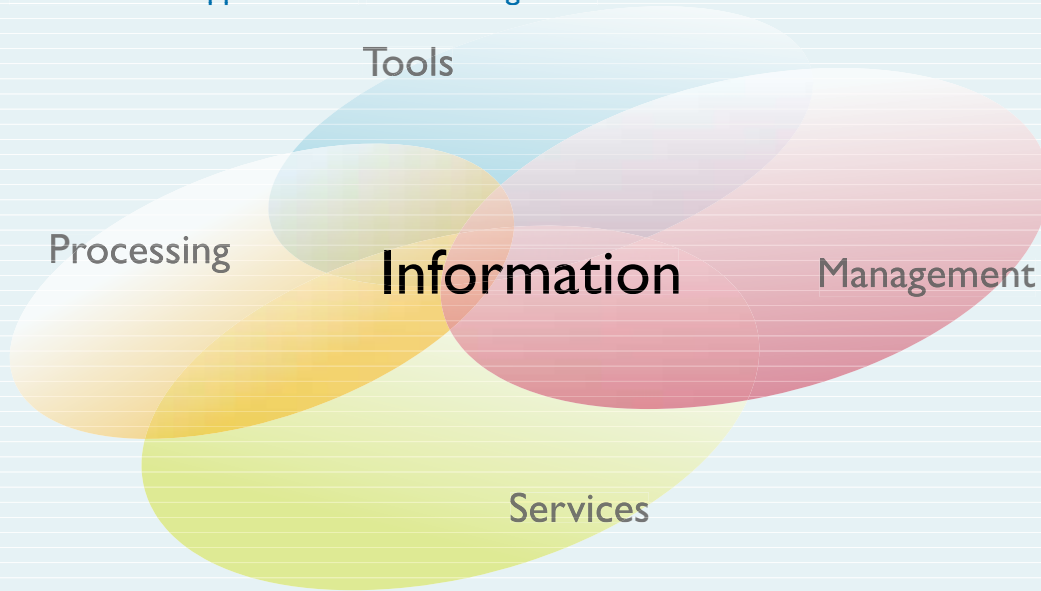
Since its establishment, Toppan Forms has pioneered the development of the business forms industry by incorporating the latest market developments into its operations and continually providing its customers with new information tools. As a result of these efforts to create new markets, we have been highly evaluated by customers and have maintained the top share of the domestic business forms market.

Faced with the need to meet diversifying customer needs and to respond promptly to changes in the business environment brought about by advances in IT, we have developed our operations by rapidly and flexibly updating our business model. We have, for example, used the know-how that we have acquired in business forms to add value through DPS and other information processing operations. In the future, the most important conditions for our continued growth will be further expansion in the uses of our original technologies and in our customer base.

In addition, the advent of the ubiquitous society is likely in the near future, and this unfettered access to information is expected to lead to social change at an unprecedented pace. The key to growth in such an age of rapid change is not simply responding to change but rather leveraging new concepts and creating new fields of business.

Toppan Forms will combine the four business areas in which it has technological superiority—information tools, information processing, information management, and information services—as it works to expand its customer base and create new fields of business. We believe that this approach will place the Company in the best possible position for further growth.

Overview of Toppan Forms' Market Segments



Information tools that match a wide range of needs

A pioneer in business forms, Toppan Forms has been an industry leader for many years. We have applied the technology and experience that we have acquired to a wide range of emerging fields, such as electronic media and ICs. As a specialist in the information tools that are the foundation of the communication of information, we are in an excellent position to create new markets.

Information processing technology that can be applied to a wide range of fields

In recent years, the outsourcing of information processing operations has accelerated, and in meeting that demand Toppan Forms has acquired advanced technology. Because we can rapidly apply that original technology to new fields, we are in a superb position to expand our customer base.

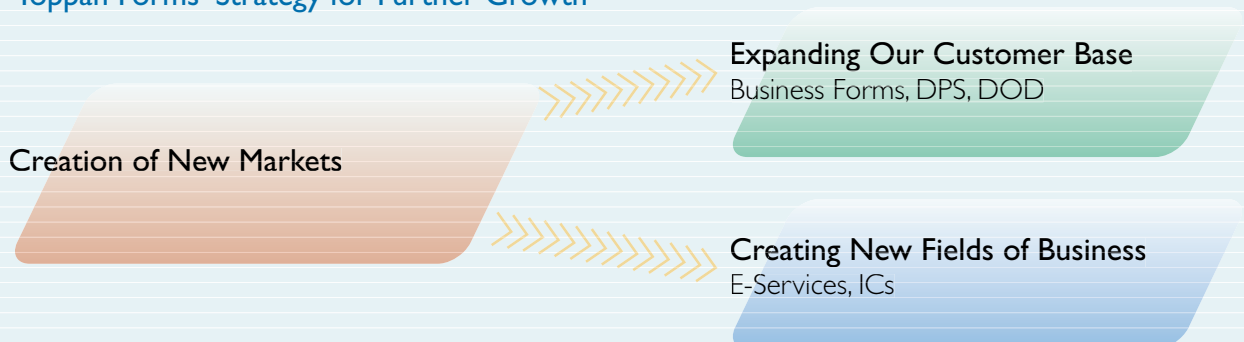
Information management capabilities that are completely trusted by customers

The information management capabilities that we have acquired through our DPS operations have been highly evaluated by customers in the financial services and telecommunications industries, where security is especially important. With these capabilities and the trust of demanding customers, we are well positioned as a leader in the competition to expand market share.

Information services that span a wide range of media

Toppan Forms provides high-value-added products and services extending across many fields, from conventional products, such as supplies, to electronic media and IC-related products. As a result, we are in an excellent position to provide one-stop solutions that will meet customer needs for the establishment of new business models in the ubiquitous society.

Toppan Forms' Strategy for Further Growth



Expanding Our Customer Base

In recent years, deregulation and global standardization have ushered in an age of intense competition that has accelerated the growth of outsourcing, which enables companies to focus their management resources on their core operations. In response to these changes, Toppan Forms has shifted its operational foundation from business forms to DPS, and, by using the customer base that it has cultivated in business forms, the Company has also secured a top share in the new market.

DPS

Our DPS operations involve the processing of important data entrusted to us by our customers, and a high degree of reliability is needed in maintaining private information. Toppan Forms has built a secure system, and the reliability of that system has not only been accepted by financial institutions and telecommunications companies, it has also been highly evaluated by public institutions.

Currently, as the range of products handled by financial institutions diversifies, they are moving forward with the integrated management of customers' asset information. At the same time, large-scale operational integrations have led to reduced investment in information systems. In this setting, Toppan Forms' variable printing technology has been highly evaluated for use in the asset statements that are provided to customers. Using this technology, we are offering an on-demand response to the increasingly sophisticated and diverse needs of banks, insurance companies, and securities firms. In addition, the potential applications of this technology are spreading to fields in which large amounts of data are processed, such as regional public institutions and utilities.

Toppan Forms is also providing one-stop solutions through alliances with a wide range of companies. For example, with FORSYS, which is used for comprehensive personnel and salary administration services, we work with software companies to offer total support, ranging from consulting and system development to operations and output. In this way, we are aiming to expand

orders for business forms, output-related DPS, and electronic distribution services.

DOD

The end of the era of rapid economic growth has led to the use of one-to-one marketing as a marketing tool. In response, we are offering DOD, which applies DPS to full-color graphics. DOD makes possible small-lot, digital variable printing and requires extremely advanced processing technology that can handle the programmable, integrated processing of a wide range of variable items, such as images, graphs, layouts, and page numbers. It is a field in which Toppan Forms' technical strengths can be used to full advantage.

Our personalized catalogs, which facilitate precise marketing activities, and our personalized educational materials, which are matched to students' specific levels, are contributing to exceptional efficiency in a range of fields. In the year under review, we began sales of a digital album targeting consumers who want to have their own original photo album. We provide integrated services, from the design of screens for the selection of copyrighted contents on a company's web site to management, production, delivery, and payment processing functions. This solution helps companies to make effective use of their management resources.

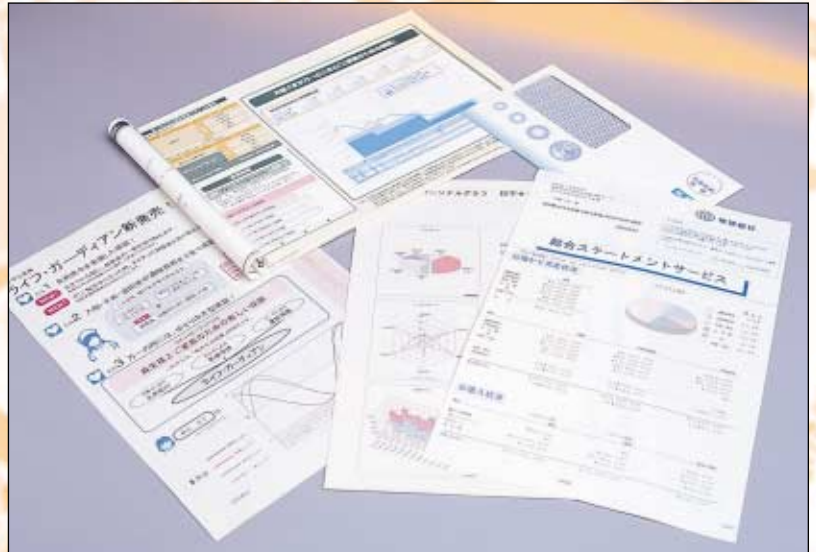
There is significant latent demand for DOD, and we will continue to develop applications and bolster our consultation-based marketing in the years ahead, thereby expanding our customer base.



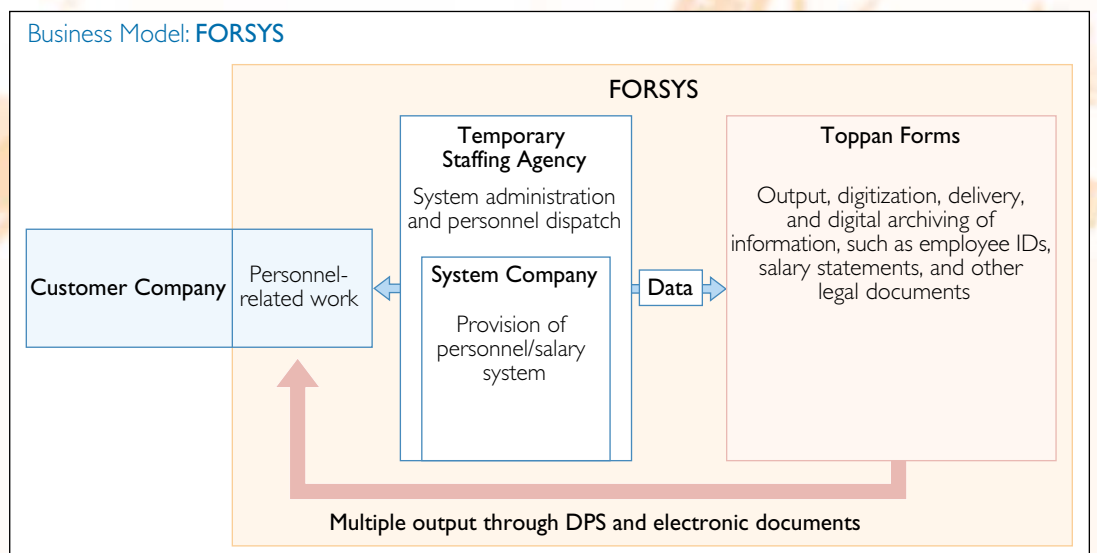
To improve their profit structures, companies are currently promoting more-efficient, streamlined administrative operations. A notable aspect of these activities has been a trend toward the outsourcing of regular administrative work, such as personnel management and salary calculations in personnel departments.

To provide optimal solutions to those needs, Toppan Forms has entered alliances with system companies. Together, we offer outsourcing package services that meet a comprehensive range of needs, from the development, introduction, maintenance, and operation of systems to regular administrative operation, output, and delivery.

Previously, such services as system maintenance, staff supplementation during updating operations and busy periods, and deliveries to public institutions required the commitment of financial and human resources on the part of companies. Now, however, our services reduce these resource requirements and thereby enable companies to focus their management resources on planning and other core areas. In all of the FORSYS output operations, such as the output and distribution of salary statements and other legal documents, the digitization of documents, and digital archiving, Toppan Forms uses its business forms and DPS technologies to help companies to reinforce their competitiveness.



Above: Asset statements
Middle: Personal digital albums
Below: FORSYS



Creating New Fields of Business

The key words that drive our efforts to build a business model for the future are *ubiquitous society*. As a result of the connection of a range of information devices through the Internet and other networks, we will have a society where anyone can exchange information freely without regard to place or time. To create new fields of business in such a setting, we must have ideas unfettered by fixed concepts and the technological capabilities to develop those ideas into products and services.

Toppan Forms is preparing for the advent of the ubiquitous society with a base of information media that can be used in a range of fields, without regard to whether the media is paper or electronic, and the technical capabilities to process that media into a variety of forms.

E-Services

We believe that the market formed by the fusion of e-commerce and traditional business holds significant promise. For example, convenience would be greatly increased if consumers could use cellular phones to place orders and make payment on the spot where they saw a product on a poster or other traditional media.

Toppan Forms has made that possible in the form of direct mail with mobile settlement capabilities. This system, which combines paper media, such as personalized direct mail using DPS technologies, and electronic media, such as Cyber DM, facilitates instant implementation from sales to settlement in such areas as mail order, delivery services, and ticket sales. This is an example of how Toppan Forms is also working to link new concepts to e-business activities.



ICs

Currently, a wide range of applications for ICs is being researched. With a single IC card able to provide the integrated management of information in fields ranging from electronic money, investments, and other financial services to point services, customer management, personal identification, and public services, such as driver's licenses, ICs have significantly changed the structure of industry. We have positioned IC-related products, such as IC cards and IC tags, as the most promising information tools of the future, and we are conducting focused investment of management resources in this field.

IC tags come in many forms, and they are expected to find a wide range of uses, including

distribution, inventory, and security applications. Although such issues as cost and infrastructure establishment are still challenging, contactless IC tags have already begun to replace bar codes—a step toward the realization of stores without registers. We have decided to focus our resources on this type of new market, and we are working to develop tag materials suitable for a range of utilization scenarios and applications by applying the printing technology that we have acquired in business forms operations.

In the year under review, we began sales of packages of customer relationship management services (CRMS) that extend from the provision of mailable contactless wristbands to event-related mailing services, promotion, venue selection, preparation, and administration. The combination of the contactless wristbands and the customer management system that we offer provides not only customer records but also facilitates a detailed record of customer movements in the venue that can be used in corporate marketing activities. In the future, we will promote this system not only for events but also for other fields with user management needs, such as amusement facilities and hospitals.

In this way, we will extend our activities as an integrated information management services (IIMS) company that provides total solutions in the field of IC-related products, which will soon be a significant market.



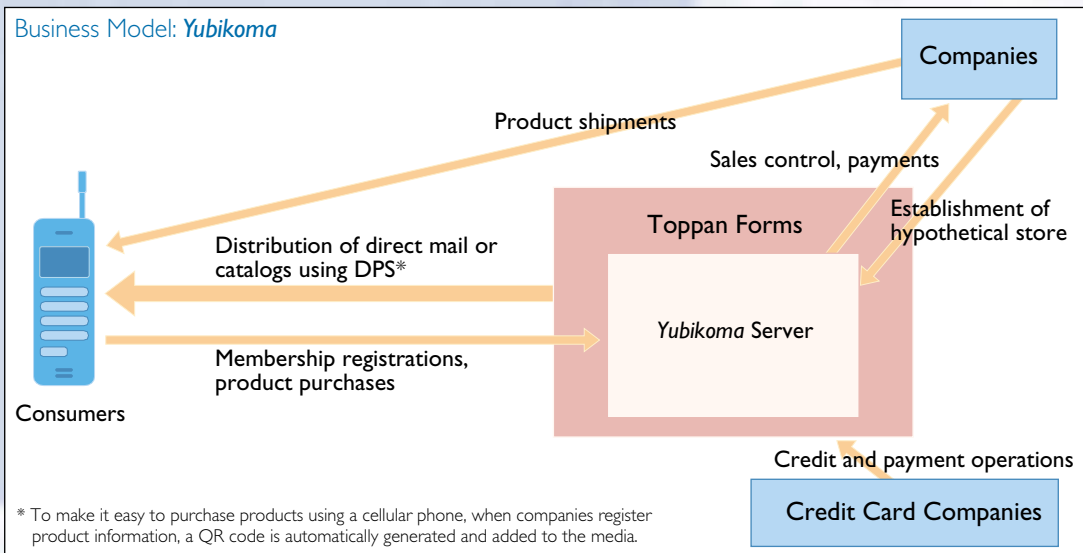
Currently, rapid growth is being recorded by the mobile business-to-consumer market in Japan, which targets the approximately 50 million owners of cellular phones with web-browsing capabilities. Nonetheless, a comprehensive system that offers efficient solutions at every step from information distribution to settlement is needed for the market to reach its full potential.

In this setting, Toppan Forms has taken a step toward the realization of a new form of e-commerce by working with a mobile credit settlement processing company to develop *Yubikoma*, a new ASP service. *Yubikoma* is based on the concept of preventing lost sales opportunities by linking the point in time when consumers see direct mail or pamphlets and decide they want to purchase a product with the ability to make the purchase on the spot.

With this system, Toppan Forms prepares and sends the sales support tools, such as direct mail and pamphlets, and provides a system that makes it convenient for consumers to conduct transactions with a cellular phone. The result is greater convenience in making a purchase with a cellular phone. In addition, packages including customer data analysis; marketing activities, such as mail delivery; and credit operations with credit companies facilitate the inexpensive, simple establishment of virtual stores.



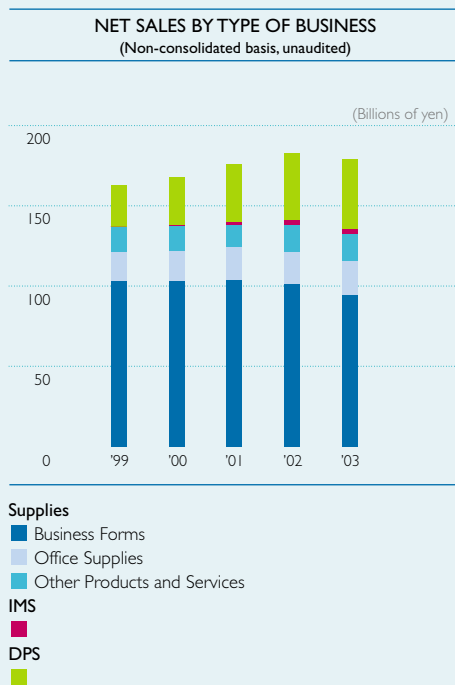
Upper: IC forms
 Middle: IC wristbands and IC tags
 Lower: *Yubikoma* (Ubiquitous Commerce Management System)



Review of Operations

In fiscal 2003, the ratios of consolidated to non-consolidated net sales and net income were 1.07 and 0.89, 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.



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

OFFICE SUPPLIES

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

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

PRINTING BUSINESS

Printing 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 DPS. During fiscal 2003, total sales in printing business operations declined 3.4% from the previous year, to ¥141.1 billion, or 78.7% of the Company's net sales.

Business Forms Division

The Business Forms Division is organized into two major product categories: business forms, which comprises a range of forms and related products, and multimedia- and IC-related products, which comprises electronic media.

Business Forms

Business forms, which are the mainstay of the Company's operations, accounted for 53.1% of net sales in the year under review. Sales in this category include sales of various forms, including mail-related forms, such as POSTEX®

notification forms, as well as envelopes, pamphlets, and non-IC cards.

Intensified competition and falling demand, which resulted from the trend toward paperless, digital offices, led to lower product prices. In addition, the economic outlook was uncertain and the operating environment was challenging. Moreover, the shift in the structure of demand from paper media to electronic media, due to progress in IT, has been greater than expected. That shift strengthened in the year under review, and the contraction of the market was notable. Sales in this category declined 6.8%, to ¥94.2 billion, and the contribution to net sales decreased 2.6 percentage points.

In this setting, the Company worked to differentiate its operations from those of its competitors by emphasizing the incorporation of market developments into its products and the development of products offering environmental friendliness, more-advanced functions, and multifunctionality. We also moved ahead with reform of our operational structure, with a constant emphasis on cost control and profitability.

During fiscal 2003, sales of POSTEX® and other mail-related forms increased 5.1%; sales of ecology forms rose 4.7%; and sales of EX forms, used in place of transport and delivery slips, grew 28.4%.

In the year under review, we began sales of water-resistant POSTEX-ECO sealed postcards, which use 55% recycled paper. Following the implementation of a green procurement law in the previous year, demand for recycled paper products from central and municipal government offices has increased. We responded to numerous customer requests with the addition of water resistance to our POSTEX-ECO and POSTEX-III ECO100 product lines. This new product showcases our ability to use original technologies to overcome a technical challenge—in this case, combining recycled paper and water resistance.

In related printing operations, an increase in orders for integrated planning proposals—centered on sales promotions—resulted in strong demand for business-form-related products, such as catalogs, pamphlets, and mailing



One-Pack Mail Eco

This mail packaging, which is suitable for non-standard size materials, was made possible by the Company's use of a plant-material-based biodegradable film, improved materials, and processing equipment developed in-house.



EX Forms

We used POSTEX® technology to develop EX forms, which are used in place of conventional transport and delivery slips. EX forms, which help customers to achieve not only cost savings but also shorter delivery times, exemplify the Company's commitment to incorporating market trends into product development.

envelopes. Sales in this category increased slightly. Customers postponed orders for conventional plastic cards and point cards as they considered transitioning non-IC cards to ICs, and as a result sales of non-IC cards decreased slightly.

Multimedia- and IC-Related Products

Although the volume of sales in the multimedia- and IC-related products category is still small, accounting for 1.5% of net sales in the year under review, Toppan Forms sees it as a significant source of potential profits in the future and is devoting substantial resources to establishing a position in this category. Sales in this category were ¥2.6 billion in fiscal 2003, about the same as in the previous year.

In digital-media-related products, our mobile e-commerce support systems combine traditional media, such as direct mail and posters, with mobile commerce services offering instant settlement functions. We also offer electronic distribution software for important documents and confidential

documents. We worked to introduce new products into these categories more quickly through the effective use of external resources and strategic tie-ups. For example, we have become the general sales agent in Japan for Tumbleweed Communications Corp., of the United States, a leader in secure e-mail software.

In IC-related products, lower IC prices and progress in infrastructure development bode well for rapid growth in the use of ICs. Accordingly, making full use of the production know-how acquired in business forms and the information management capabilities of an integrated information management services (IIMS) company, we worked to aggressively develop and market products in this field. Our lineup includes packages of customer relationship management services (CRMS), which extend from the provision of contactless wristbands to comprehensive event-related services support, as well as our S-Tags, which offer the flexibility, durability, and design that will be necessary for expanding the use of IC tags.

Data Print Services (DPS) Division

In the year under review, DPS operations recorded favorable growth, with sales rising 4.2%, to ¥44.2 billion, or 24.7% of net sales.

DPS

Although projects were postponed and cost-cutting initiatives led customers to request lower prices, we were able to offset these adverse factors by acquiring new customers, and sales rose 2.3%, to ¥40.5 billion. In the financial services industry, consumer finance companies, insurance companies, securities firms, and banks continued to outsource their information processing operations and to enhance their comprehensive management of customer assets, and, in line with those trends, we successfully expanded our customer base. In addition, we worked to create new demand by proposing the outsourcing of internal administrative processing tasks. In December 2002, the second stage of construction work on the expansion of our Fussa Plant in Tokyo was completed, further enhancing our order-filling



Contactless IC Cards

Using know-how acquired in business forms, we provide total solutions in the form of IC card systems for a range of applications. These systems include not only contact and contactless types but also hybrid types, which draw on the strong points of the contact and contactless types.



Contactless IC Wristbands

We are using these contactless wristbands in conjunction with CRMS to meet the needs of facilities that have to manage information about visitors, such as amusement parks and hospitals.

capacity and our advanced security system.

In the year under review, we developed One-Pack Mail Eco, which uses a plant-material-based biodegradable film with a low environmental burden for the wrapping material. This new product expanded our lineup of direct mail offerings for sales promotions. One-Pack Mail facilitates more-effective sales promotions by enabling customers to transmit both personalized data and such items as product samples or CD-ROMs in the same envelope.

Also, as the use of outsourcing for internal administrative tasks accelerated in the year under review, we worked to expand our base of DPS customers through strategic alliances, such as sales tie-ups with software companies. Through FORSYS, we provide total support for personnel and salary administration, from consulting and system installation to operation and DPS output.

DOD

DOD is a system that extends DPS, which offers variable printing of text,

to include on-demand printing of full-color graphics. Our DOD system makes possible programmable, integrated full-color printing direct from a wide range of variable digital data. DOD requires extremely advanced variable printing technology, making it a field in which the Company's technical strengths can be used to full advantage.

Because small-lot orders can be delivered in a short period of time, DOD is useful not only with one-to-one marketing tools but also with efficient revision operations and in situations where storage space is limited. We are currently developing new uses for DOD to expand the scope of its application. In the year under review, sales of distance learning materials were strong, and DOD sales rose 31.4%, to ¥3.7 billion.

Personalized educational materials for use in distance learning programs are one of the Company's key DOD products. Because it can handle a wide variety of variable data, such as images, graphics, layouts, and page numbers, DOD facilitates the production of personalized materials that are suitable to each student's level. The unique way

in which these materials help both students and teachers to use their time more effectively has drawn widespread attention in the distance learning industry.

In the year under review, we began sales of a digital photo album that combines our DOD and ASP technologies. This integrated service, which extends from the design of screens for the selection of copyrighted contents on a company's web site to management, production, delivery, and payment processing functions, enables end users to receive the original album that they want. This is an example of how we are proposing new business models that utilize the strengths of paper media in an age of universal network access.

OTHER BUSINESSES

The other businesses segment, which complements Toppan Forms' printing business, comprises the office supplies category and the equipment and services category. Sales in this segment increased 3.0% from the previous year, to ¥38.3 billion, or 21.3% of net sales.



Pocket ROM Packages

Toppan Forms developed Pocket ROM packages through the use of its DPS technology. These highly effective sales promotion tools enable customers to send card-type CD-ROMs in direct mail.



Personalized Educational Materials

These personalized educational materials, which were made possible through the use of the Company's DOD technology, are adjusted to a student's level and interests. They have facilitated dramatic efficiency gains in the distance learning industry, which was previously centered on the large-scale production of uniform materials.

Office Supplies

Toppan Forms provides office supplies “on demand” through the use of an office supply procurement system. We handle a wide range of office supplies, including recording media; IT-related equipment supplies, such as printer toner cartridges and drums; paper products, such as copier paper; fixtures; and stationery. In the year under review, we increased the number of items handled in line with customer demand and broadened sales channels. Sales were up 5.9%, to ¥21.5 billion, with growth centered on printer supplies and data media.

Equipment and Services

Toppan Forms meets customer needs with a total support system that complements the sale of business forms with the planning, manufacturing, and sale of peripherals and related devices and, through Group companies, the provision of maintenance services. Our principal products in this category include sealers that process printed

business forms into the shapes of envelopes and postcards; systems that insert forms and flyers for each member of an organization, such as a co-op, and seal the envelopes; automated paper feeders for high-speed printers; and insertion and sealing equipment. Major card-related products include ID card color printers and systems for issuing member cards and rewrite cards. We also provide support for the rationalization of systems that apply delivery confirmation labels and systems that issue vouchers.

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 were ¥16.8 billion, about level with the previous year. With customers showing continued restraint in capital investment, the postponement of major projects led to challenging operating conditions.

RESEARCH AND DEVELOPMENT

Approximately 5.4% of the Company’s employees are involved in R&D, and in fiscal 2003 Toppan Forms spent ¥2.2 billion on R&D, or 1.2% of net sales.

As the digitization of information continues to advance, the Company has broadened its aggressive R&D activities from its core field of business forms to emerging fields, such as DPS, DOD, and IC-related forms, tags, labels, and cards, as well as to IT-based information management services. With a commitment to service closely linked to customer needs, we are working to increase the convenience and safety of paper media. At the same time, we are making efforts to combine paper media with electronic media and develop advanced functionality. Using our base of fundamental and applied technologies, we strive to develop new products and to develop and improve materials and production technologies. Also, we develop systems for the input and output of a wide range of data and processing equipment for business forms. In this way, the R&D Division provides comprehensive coverage.



CORAZON 110

In conjunction with sales of business forms, Toppan Forms also manufactures and markets peripherals and related equipment. This photo shows a detacher that is capable of 110-meter-per-minute cutting and features easy operation and excellent sound-proofing.



Water-resistant POSTEX-ECO

Water-resistant POSTEX-ECO sealed postcards offer two characteristics that are difficult to achieve in a single product. Like POSTEX-ECO sealed postcards, they are recyclable, and they are also waterproof. Because they use water-resistant paper with 55% recycled pulp, even after being exposed to water for 24 hours, the paper does not tear when the seal is removed.

Toppan Forms aims to provide more-advanced products and services by making effective use of external resources through active participation in alliances with other companies and through joint research and personnel exchanges with universities and research institutions.

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 by shortening the R&D process.

Toppan Forms' fundamental approach to business entails providing integrated one-stop solutions that address the needs and concerns of customers. To that end, the Company's planning, sales promotion, and R&D units work closely together on a daily basis, facilitating the provision of flexible, accurate responses to customer needs.

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 48 sales offices in Japan, primarily in major cities. Marketing and support staff members 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 nine 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 December 2002, construction work on the expansion of the Fussa Plant in Tokyo was completed, reinforcing the Company's system for meeting DPS orders, which are expected to increase in the years ahead. We are also taking steps to increase production efficiency by reorganizing our plants along product lines, specifically business forms, DPS, and DOD.

The Company's distribution operations comprise eight 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 sales, and distribution. Supported by these businesses, Toppan Forms is capable of providing customers with a full range of IIMS.

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



Central Research Laboratory

We are reinforcing our core strengths in business forms and aggressively expanding into new fields, such as DPS, DOD, and IMS. Progress in R&D supports the Company's ability to rapidly provide products that meet market needs.



Fussa Plant

In December 2002, we completed expansion work on the Fussa Plant, thereby establishing a robust system to meet expected growth in DPS orders. We have also increased production efficiency by reorganizing our plants along the business forms, DPS, and DOD product lines.

Financial Section

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Consolidated Six-Year Financial Summary

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen						Thousands of
	1998	1999	2000	2001	2002	2003	U.S. dollars
For the year:							
Net sales	¥176,619	¥175,797	¥180,521	¥189,465	¥196,489	¥191,324	\$1,594,367
Operating profit	17,038	15,251	17,498	18,094	18,888	15,030	125,250
Income before income taxes	16,532	15,374	17,529	16,837	18,477	13,867	115,558
Net income	7,197	7,825	9,710	9,272	10,584	7,630	63,583
Depreciation	4,782	5,321	4,966	4,800	4,701	4,630	38,583
Capital expenditure	17,519	15,765	5,529	5,941	6,580	10,461	87,175
R&D expenses	1,700	1,769	1,910	2,185	2,309	2,246	18,717

At year-end:

Total assets	¥125,730	¥126,839	¥133,649	¥141,515	¥150,979	¥149,990	\$1,241,583
Total shareholders' equity	69,182	75,060	82,481	89,292	95,955	99,969	833,075
Number of shares outstanding (thousand)	115,000	115,000	115,000	114,851	114,706	114,554	
Number of employees	6,395	6,232	6,139	6,165	6,349	6,342	

Cash flows:

Net cash provided by operating activities	–	¥ 14,237	¥ 12,682	¥ 12,548	¥ 16,227	¥ 10,669	\$ 88,908
Net cash used in investing activities	–	(18,753)	(4,420)	(8,650)	(7,476)	(11,890)	(99,083)
Net cash used in financing activities	–	(2,566)	(2,494)	(2,568)	(2,552)	(3,292)	(27,433)
Cash and cash equivalents at end of year	–	11,016	16,767	18,113	24,373	19,836	165,300

Per share data:

	Yen					U.S. dollars	
Net income:							
Basic	¥ 65.43	¥ 68.04	¥ 84.44	¥ 80.68	¥ 92.21	¥ 65.45	\$0.55
Diluted	–	–	–	–	–	–	–
Cash dividends	15.00	17.00	20.00	21.00	23.00	23.00	0.19
Shareholders' equity	601.59	652.69	717.23	777.46	836.52	871.54	7.26

Ratios:

	Percent					
Equity ratio	55.0%	59.2%	61.7%	63.1%	63.6%	67.1%
Return on net sales	4.1	4.5	5.4	4.9	5.4	4.0
Return on assets	6.1	6.2	7.5	6.7	7.2	5.1
Return on shareholders' equity	12.0	10.8	12.3	10.8	11.4	7.8

Notes: 1. U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥120=U.S.\$1, as at March 31, 2003.

2. 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. Treasury stocks held during period are excluded. Cash dividends per share represent the actual amounts applicable to earnings of the respective years.

Financial Review

Overview of Operations

Toppan Forms faced a challenging operating environment in fiscal 2003, ended March 31, 2003. The Japanese economy showed no signs of recovery in consumer spending or capital investment, and the stock market declined.

In this setting, Toppan Forms worked to further enhance the incorporation of market developments into its products and services and emphasized marketing activities based on the proposal of solutions. At the same time, the Company strengthened its corporate constitution, with a focus on cutting costs. Sales and profits both declined due to the influences of reduced demand, which stemmed from the trends toward digitization and paperless operations, and of price declines, which resulted from intensified competition.

The Company's consolidated net sales decreased 2.6%, to ¥191.3 billion (US\$1,594.4 million), and operating profit declined 20.4%, to ¥15.0 billion (US\$125.3 million). Net income was down 27.9%, to ¥7.6 billion (US\$63.6 million), and net income per share fell 28.9%, to ¥65.45 (US\$0.55).

In the future, the operating environment is expected to remain challenging. The Company will emphasize its customer orientation, expand its customer base, and develop its operations in new fields. At the same time, Toppan Forms will build a solid profit foundation by reforming its operational structure.

Income and Expenses

In the year under review, the Company worked to expand its sales channels and boost its sales of high-value-added products, but prices declined due to changes in the structure of demand. As a result, consolidated net sales fell 2.6%, to ¥191.3 billion (US\$1,594.4 million). Sales in the Printing Business segment decreased 4.0%, to ¥149.5 billion (US\$1,245.7 million), accounting for 78.1% of net sales, a decline of 1.2 percentage points. In business forms, a challenging operating environment led to a 7.0% decrease in sales, while in its key Data Print Services (DPS) operations the Company successfully secured orders and developed new applications, leading to a 3.6% increase in sales. In the Other Businesses segment, sales

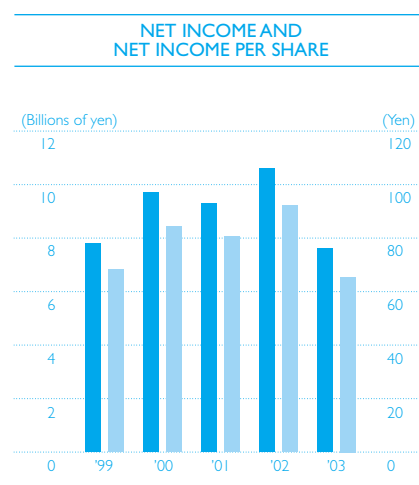
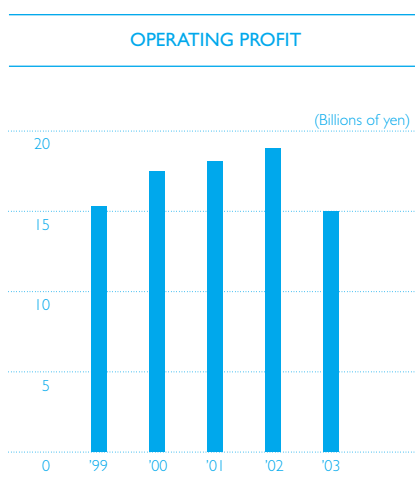
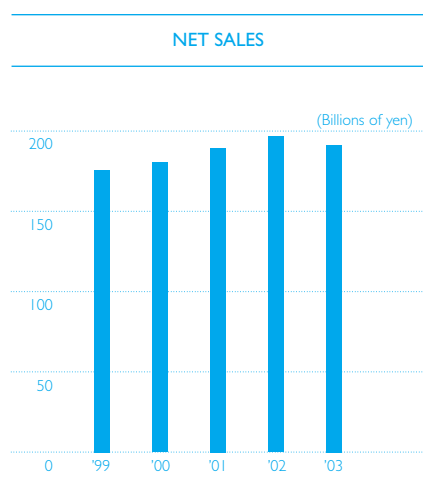
rose 2.8%, to ¥41.8 billion (US\$348.7 million), due in part to broadened sales channels.

The cost of sales edged down 0.9%, to ¥141.2 billion (US\$1,176.6 million). Although the Company worked to reduce costs, the decline in sales that accompanied lower prices led to a 1.3 percentage point drop in the gross profit margin, to 26.2%.

The Company maintained R&D expenses at a high level, and selling, general and administrative (SG&A) expenses were about level with the previous year, at ¥35.1 billion (US\$292.5 million). The ratio of SG&A expenses to net sales edged up 0.4 percentage points, to 18.3%.

Operating profit was down 20.4% from the previous year, to ¥15.0 billion (US\$125.3 million), and the ratio of operating profit to net sales decreased 1.7 percentage points, to 7.9%.

In the year under review, the stock market declined, and the Company recorded a loss on write down of investment securities of ¥1.5 billion (US\$12.2 million). Income before income taxes decreased 24.9% from



■ Net income ■ Net income per share

the previous year, to ¥13.9 billion (US\$115.6 million). Net income fell 27.9%, to ¥7.6 billion (US\$63.6 million), and net income per share was ¥65.45 (US\$0.55), down from ¥92.21 (US\$0.77) in the previous year.

Due to the decline in net income and an increase in shareholders' equity, return on equity was down 3.6 percentage points from the previous year, to 7.8%. Although total assets declined, return on assets was down 2.1 percentage points, to 5.1%, due to the decrease in net income.

Dividend Policy

Toppan Forms gives high priority to providing stable, continuous dividend payments to shareholders in accordance with the Company's performance. For fiscal 2003, the Company declared interim and year-end cash dividends per share of ¥11.50 (US\$0.10). Accordingly, total cash dividends per share for the year were unchanged at ¥23.00 (US\$0.19). The non-consolidated payout ratio was 31.1%, compared with 25.2% in the previous year.

Financial Position

Toppan Forms strives to maintain a sound financial position so that the Company can make the R&D and capital expenditures needed for long-term growth.

In the year under review, net cash provided by operating activities declined 34.3%, to ¥10.7 billion (US\$88.9 million), due to the ¥4.6 billion (US\$38.4 million) decrease in income before income taxes and a ¥2.0 billion (US\$16.9 million) decline in notes and accounts payable. Income taxes paid amounted to ¥8.6 billion (US\$71.6 million).

Net cash used in investing activities increased 59.0%, to ¥11.9 billion (US\$99.1 million). Major items included acquisition of property, plant and equipment of ¥11.4 billion (US\$94.9 million).

Net cash used in financing activities rose 29.0%, to ¥3.3 billion (US\$27.4 million). Dividends paid totaled ¥2.7 billion (US\$22.7 million).

At the end of fiscal 2003, cash and cash equivalents amounted to ¥19.8 billion (US\$165.3 million), a decrease

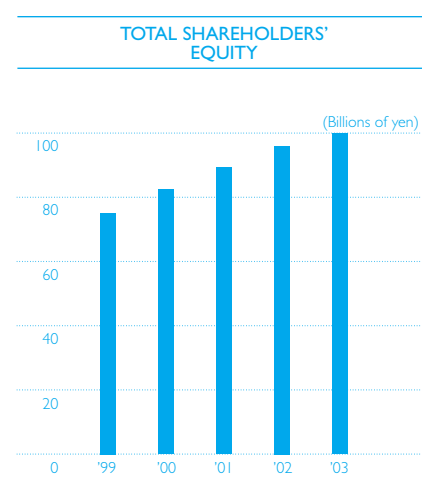
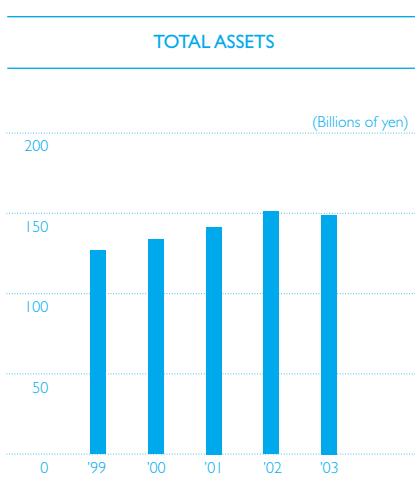
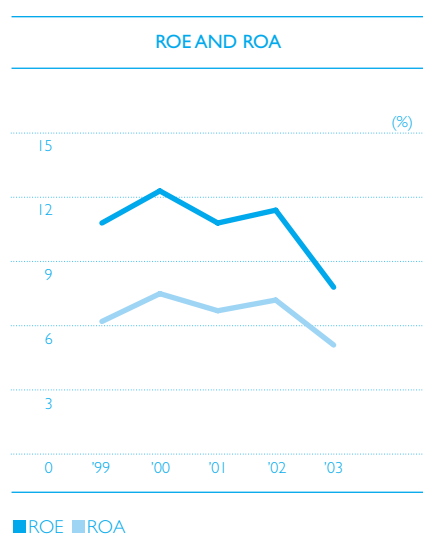
of 18.6% from the previous fiscal year-end.

Current assets declined 8.4% from the previous year-end, to ¥72.6 billion (US\$605.2 million), and current liabilities were down 11.9%, to ¥46.2 billion (US\$385.0 million). Working capital decreased 1.6%, to ¥26.4 billion (US\$220.2 million), while the current ratio improved 6.0 percentage points, to 157.2%. Fixed assets increased 6.5%, to ¥76.4 billion (US\$636.4 million).

At year-end, total shareholders' equity was ¥100.0 billion (US\$833.1 million), up 4.2% from the previous year-end. Total assets were down 1.3%, to ¥149.0 billion (US\$1,241.6 million), and the equity ratio rose 3.5 percentage points, to 67.1%, a reflection of the Company's stable financial position.

Capital Expenditure

Capital expenditure increased 58.7%, to ¥10.5 billion (US\$87.2 million). Major investment projects included ¥6.1 billion (US\$50.6 million) for the construction of the Shiodome Head Office Building



Consolidated Balance Sheets

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2003	2003
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 19,973	¥ 17,636	\$ 146,967
Marketable securities (Notes 3 and 5)	4,600	2,300	19,167
Notes and accounts receivable, trade (Note 4)	36,507	35,501	295,842
Inventories (Note 6)	13,370	12,837	106,975
Deferred tax assets (Note 13)	1,704	1,703	14,192
Other current assets	3,151	2,645	22,040
Total current assets	79,305	72,622	605,183
Long-term assets:			
Property, plant and equipment:			
Land	17,010	17,380	144,833
Buildings and facilities	30,346	32,017	266,808
Machinery, equipment and vehicles	55,695	56,866	473,883
Tools and furniture.....	10,014	9,952	82,935
Construction-in-progress	2,678	6,640	55,333
	115,743	122,855	1,023,792
Less: Accumulated depreciation	(65,359)	(67,263)	(560,525)
Property, plant and equipment, net	50,384	55,592	463,267
Investment securities and other assets:			
Investment securities (Note 5)	8,225	7,167	59,725
Leasehold deposits	4,279	4,037	33,642
Insurance funds	4,576	4,497	37,475
Deferred tax assets (Note 13)	1,631	2,552	21,267
Other assets	2,579	2,523	21,024
Total investment securities and other assets	21,290	20,776	173,133
Total fixed assets	71,674	76,368	636,400
Total assets (Note 18)	¥150,979	¥148,990	\$1,241,583

The accompanying notes are an integral part of these statements.

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2003	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 7)	¥ 1,143	¥ 879	\$ 7,325
Notes and accounts payable:			
–Trade (Note 4)	32,936	30,756	256,300
–Construction	2,266	1,860	15,500
Accrued income taxes (Note 13)	4,925	3,415	28,458
Accrued bonuses to employees	4,344	3,724	31,033
Other current liabilities	6,848	5,570	46,417
Total current liabilities	52,462	46,204	385,033
Long-term liabilities:			
Long-term debt (Note 7)	452	425	3,542
Pension liabilities (Note 8)	1,151	1,712	14,267
Deferred tax liabilities (Note 13)	157	128	1,067
Other long-term liabilities	185	129	1,074
Total long-term liabilities	1,945	2,394	19,950
Minority interest in consolidated subsidiaries	617	423	3,525
Shareholders' equity (Note 9):			
Common stock, ¥50 par value– Authorized: 400,000,000 shares			
Issued: 115,000,000 shares.....	11,750	11,750	97,917
Additional paid-in capital	9,270	9,270	77,250
Retained earnings	76,234	81,032	675,266
	97,254	102,052	850,433
Net unrealized losses on other securities (Note 5)	(146)	(474)	(3,950)
Foreign currency translation adjustment	(469)	(606)	(5,050)
Treasury stock, at cost (Note 10) (2002: 294,000 shares, 2003: 445,080 shares)	(684)	(1,003)	(8,358)
Total shareholders' equity.....	95,955	99,969	833,075
Contingent liabilities (Note 17)			
Total liabilities and shareholders' equity	¥150,979	¥148,990	\$1,241,583

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)
	2001	2002	2003	2003
Net sales (Notes 4 and 18)	¥189,465	¥196,489	¥191,324	\$1,594,367
Cost of sales (Notes 4, 11 and 18)	137,411	142,479	141,197	1,176,642
Gross profit	52,054	54,010	50,127	417,725
Selling, general and administrative expenses (Notes 11, 12, 14 and 18)	33,960	35,122	35,097	292,475
Operating profit	18,094	18,888	15,030	125,250
Other income:				
Interest and dividend income	96	83	117	975
Gain on securities contribution to employee retirement benefit trust (Note 8).....	1,399	—	—	—
Other income	821	860	1,095	9,124
	2,316	943	1,212	10,099
Other expenses:				
Interest expense	(69)	(86)	(74)	(617)
Loss on write-down of investment securities	—	(442)	(1,464)	(12,200)
Loss on sale of investment securities	(32)	(3)	—	—
Loss on disposal of machinery and others	(105)	(472)	(477)	(3,975)
Loss on write-down of memberships	(55)	(71)	(21)	(175)
Amortization of net transition obligation arising from adoption of the new Japanese Accounting Standard for Retirement Benefits (Note 8)	(3,088)	—	—	—
Other expenses	(224)	(280)	(339)	(2,824)
	(3,573)	(1,354)	(2,375)	(19,791)
Income before income taxes	16,837	18,477	13,867	115,558
Income taxes (Note 13):				
Current	8,342	8,521	7,075	58,958
Deferred	(837)	(576)	(723)	(6,025)
	7,505	7,945	6,352	52,933
Minority interest in income (loss) of consolidated subsidiaries	(60)	52	115	958
Net income	¥ 9,272	¥ 10,584	¥ 7,630	\$ 63,583
Per share of common stock (Note 16):				
Net income				
Basic	¥80.68	¥92.21	¥65.45	\$0.55
Diluted	—	—	—	—
Cash dividends applicable to the year	¥21.00	¥23.00	¥23.00	\$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)
	2001	2002	2003	2003
Common stock:				
Beginning and end of period	¥11,750	¥11,750	¥11,750	\$ 97,917
Additional paid-in capital:				
Beginning and end of period	¥ 9,270	¥ 9,270	¥ 9,270	\$ 77,250
Retained earnings:				
Beginning of period	¥61,461	¥68,302	¥76,234	\$635,283
Add:				
Net income	9,272	10,584	7,630	63,583
Deduct:				
Cash dividends paid	2,299	2,525	2,695	22,458
Bonuses to directors	132	127	137	1,142
End of period	¥68,302	¥76,234	¥81,032	\$675,266
Treasury stock at cost (Note 10):				
Beginning of period	¥ —	¥ (375)	¥ (684)	\$ (5,700)
Net change resulting from purchase and sale of fractional shares of less than "One Unit" as defined by the Japanese Commercial Code.....	—	—	0	(1)
Purchase of treasury stock	(375)	(309)	(319)	(2,657)
End of period	¥ (375)	¥ (684)	¥(1,003)	\$ (8,358)
Net unrealized gains on other securities (Note 5):				
Beginning of period	¥ —	¥ 1,037	¥ (146)	\$ (1,217)
Add / (Deduct)—	1,037	(1,183)	(328)	(2,733)
End of period	¥ 1,037	¥ (146)	¥ (474)	\$ (3,950)
Foreign currency translation adjustment:				
Beginning of period	¥ (811)	¥ (692)	¥ (469)	\$ (3,908)
Add / (Deduct)—	119	223	(137)	(1,142)
End of period	¥ (692)	¥ (469)	¥ (606)	\$ (5,050)

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)
	2001	2002	2003	2003
Cash flows from operating activities:				
Income before income taxes	¥16,837	¥18,477	¥13,867	\$115,558
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	4,800	4,701	4,630	38,583
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	—	—	—
Write down of investment securities	—	441	1,464	12,200
Other, net	(141)	320	172	1,433
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(2,019)	(4)	918	7,650
Decrease (increase) in inventories	(1,299)	491	428	3,567
Increase (decrease) in notes and accounts payable	2,317	236	(2,033)	(16,942)
Increase in pension liabilities	438	69	527	4,392
Other, net	(1,302)	(996)	(768)	(6,399)
Sub total	21,320	23,735	19,205	160,042
Interest and dividends received	98	90	130	1,083
Interest paid	(54)	(89)	(69)	(575)
Income taxes paid	(8,816)	(7,509)	(8,597)	(71,642)
Net cash provided by operating activities	12,548	16,227	10,669	88,908
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(7,018)	(5,276)	(11,391)	(94,925)
Proceeds from sale of property, plant and equipment	28	52	30	250
Acquisition of marketable securities	(100)	(200)	(100)	(833)
Proceeds from sale of marketable securities	—	100	200	1,667
Acquisition of investment securities	(2,215)	(1,646)	(986)	(8,217)
Proceeds from sale of investment securities	535	3	16	133
Provided by other investing activities	1,677	1,602	1,716	14,300
Decrease of cash in connection with exclusion of a subsidiary from consolidation	—	(215)	—	—
Used in other investing activities	(1,557)	(1,896)	(1,375)	(11,458)
Net cash used in investing activities	(8,650)	(7,476)	(11,890)	(99,083)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	82	(8)	(162)	(1,350)
Increase (decrease) in long-term debt	99	363	(17)	(142)
Repayments of capital lease obligations	(47)	(66)	(69)	(575)
Acquisition of treasury stock	(375)	(309)	(319)	(2,658)
Dividends paid	(2,327)	(2,532)	(2,725)	(22,708)
Other, net	—	—	—	—
Net cash used in financing activities	(2,568)	(2,552)	(3,292)	(27,433)
Effect of exchange rate changes on cash and cash equivalents	16	61	(24)	(200)
Net increase (decrease) in cash and cash equivalents	1,346	6,260	(4,537)	(37,808)
Cash and cash equivalents at beginning of year	16,767	18,113	24,373	203,108
Cash and cash equivalents at end of year (Note 3)	¥18,113	¥24,373	¥19,836	\$165,300

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 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 for 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 ¥120 = U.S.\$1, the approximate rate of exchange on March 31, 2003. 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 shareholdings 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, as allowed under accounting principles and practices generally accepted in Japan.

(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:

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 price or 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.

(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 cost are charged to income as incurred. Major replacements and improvements are capitalized.

(6) Accrued bonuses to employees

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

(7) Accrued bonuses to directors

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.

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

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases do not transfer ownership of the assets at the end of the lease term, are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(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.

(13) Treasury stocks

Treasury stocks are stated at cost as a separate component of the shareholders' equity in the accompanying consolidated balance sheets. Effective for the year ended March 31, 2003, the Company and its domestic consolidated subsidiaries adopted the Statement of Financial Accounting Standard No. 1 "Accounting for Treasury Stock and Reversal of Capital and Legal Reserves" issued by the Accounting Standards Board of Japan. However, the effect on net income for the period of adopting this new statement was immaterial.

(14) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 2001 and 2002 have been made to conform to the presentation in the year ended March 31, 2003.

3 Cash and cash equivalents

"Cash and cash equivalents" comprise the following:

March 31	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Cash and time deposits with original maturity of three months or less	¥13,613	¥19,973	¥17,636	\$146,967
Marketable securities	4,500	4,400	2,200	18,333
	¥18,113	¥24,373	¥19,836	\$165,300

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, 2001, 2002 and 2003 amounted to ¥6,185 million, ¥6,801 million and ¥6,536 million (\$54,467 thousand), respectively. Purchases from Toppan Printing Co., Ltd. for those three years were ¥3,402

million, ¥3,088 million and ¥3,458 million (\$28,817 thousand), respectively. The balance of receivables from Toppan Printing Co., Ltd. as of March 31, 2002 and 2003 amounted to ¥1,581 million and ¥1,789 million (\$14,908 thousand), respectively. The balance of payables to Toppan Printing Co., Ltd. as of March 31, 2002 and 2003 amounted to ¥317 million and ¥787 million (\$6,558 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 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	—

(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)

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

	March 31, 2002
	Millions of yen
Proceeds from sales of "Other securities"	¥5
Gain on sales of "Other securities"	—
Loss on sales of "Other securities"	2

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

	March 31, 2002
	Book carrying amount
	Millions of yen
Other Securities	
①Share stocks not listed in the market (excluding over-the-counter stocks)	¥1,593
②Others.....	4,400
	¥5,993

(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	¥—	¥—	¥—

The following is certain information relating to the aggregate book carrying amount and market value of securities in fiscal 2003.

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

	Millions of yen		
	March 31, 2003		
	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	¥ —

	Thousands of U.S. dollars		
	March 31, 2003		
	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.....	833	833	—
③Others	—	—	—
	\$833	\$833	\$ —

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

	Millions of yen		
	March 31, 2003		
	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	¥1,008	¥1,373	¥ 365
②Others.....	27	27	0
	1,035	1,400	365
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	3,707	2,664	(1,043)
②Others.....	823	705	(118)
	4,530	3,369	(1,161)
Total	¥5,565	¥4,769	¥ (796)
Tax effect			322
			¥ (474)

	Thousands of U.S. dollars		
	March 31, 2003		
	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	\$ 8,400	\$11,442	\$ 3,042
②Others.....	225	225	0
	<u>8,625</u>	<u>11,667</u>	<u>3,042</u>
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
①Share stocks	30,892	22,200	(8,692)
②Others.....	6,858	5,875	(983)
	<u>37,750</u>	<u>28,075</u>	<u>(9,675)</u>
Total.....	<u>\$46,375</u>	<u>\$39,742</u>	<u>\$(6,633)</u>
Tax effect.....			2,683
			<u>\$(3,950)</u>

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

	March 31, 2003	
	Millions of yen	Thousands of U.S. dollars
Proceeds from sales of "Other securities"	¥15	\$125
Gain on sales of "Other securities"	1	8
Loss on sales of "Other securities".....	—	—

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

	March 31, 2003	
	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)	¥1,929	\$16,075
②Others	2,200	18,333
	<u>¥4,129</u>	<u>\$34,408</u>

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

	Millions of yen			
	March 31, 2003			
	Due 2004	Due 2005~2008	Due 2009~2013	Due after 2014
1. Bonds				
①Government Bonds, Municipal Bonds, etc.....	¥ —	¥—	¥—	¥—
②Corporate Bonds	100	—	—	—
③Others	—	—	—	—
2. Others				
①Mutual Funds.....	—	—	—	—
	<u>¥100</u>	<u>¥—</u>	<u>¥—</u>	<u>¥—</u>

Thousands of U.S. dollars				
March 31, 2003				
	Due 2004	Due 2005~2008	Due 2009~2013	Due after 2014
1. Bonds				
①Government Bonds, Municipal Bonds, etc.....	\$ —	\$—	\$—	\$—
②Corporate Bonds	833	—	—	—
③Others	—	—	—	—
2. Others				
①Mutual Funds.....	—	—	—	—
	\$833	\$—	\$—	\$—

6 Inventories

Inventories comprise the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Finished products	¥ 7,614	¥ 7,705	\$ 64,209
Purchased finished goods	2,590	2,089	17,408
Work in process	947	961	8,008
Raw materials and supplies	2,219	2,082	17,350
	¥13,370	¥12,837	\$106,975

7 Borrowings

Short-term borrowings primarily consist of short-term bank loans belonging to certain domestic and overseas subsidiaries with annual interest rates ranging from 1.30 to 5.00 per cent as of March 31, 2003.

Long-term debt at March 31, 2003, comprises the following:

	Millions of yen	Thousands of U.S. dollars
Loans from Japanese banks and others:		
Unsecured—1.65per cent	100	833
Unsecured—3.29per cent	208	1,734
Unsecured—3.95per cent	48	400
Unsecured—5.75per cent	86	717
Less: Amounts due within one year	(17)	(142)
	¥425	\$3,542

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
2004	17	142
2005	341	2,841
2006	68	567
2007	16	133
2008	—	—
	¥442	\$3,683

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, 2002 and 2003 can be analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
(1) Projected benefit obligation	¥27,287	¥30,178	\$251,484
(2) Plan assets at fair value.....	21,325	18,872	157,267
(3) Unfunded benefit obligation (1)–(2)	5,962	11,306	94,217
(4) Unrecognized actuarial loss	(5,421)	(10,236)	(85,300)
(5) Unrecognized prior service cost	–	–	–
(6) Pension liabilities recorded on the consolidated balance sheet (3)+(4)+(5)	541	1,070	8,917
(7) Prepaid pension expense	–	–	–
(8) Pension liabilities for employees (6)–(7)	¥541	¥1,070	\$8,917

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 amounted to ¥1,873 million in 2002 and ¥1,277million (\$10,642 thousand) in 2003, respectively.

The components of the net periodic pension expense for the year ended March 31, 2002 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
(1) Service cost	¥1,369	¥1,557	\$12,974
(2) Interest cost	848	771	6,425
(3) Expected return on plan assets	790	682	5,683
(4) Expense for actuarial loss	144	371	3,092
(5) Net periodic pension expense	¥1,571	¥2,017	\$16,808

The assumptions used as of March 31, 2001, 2002 and 2003 were as follows:

	2001	2002	2003
(1) Discount rate	3.5%	3.0%	2.5%
(2) Expected return on plan assets	4.0%	4.0%	3.5%
(3) Method of attributing the projected benefits to periods of service....	Straight-line basis	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	Straight-line over 15 years
(6) Amortization of net transition obligation	Recognized entirely at the time of transition	–	–

The discount rate applied for the fiscal years in 2001, 2002 and 2003 were 3.5%, 3.5% and 3.0%, respectively, however the projected benefit obligation calculated at the 2001, 2002 and 2003 year-end were 3.5%, 3.0% and 2.5%, respectively.

9 Shareholders' Equity

The Japanese Commercial Code 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.

- (4) Legal earned reserve and unappropriated retained earnings are presented in the retained earnings accounts and legal capital reserve and other capital reserves are presented in Additional paid-in capital accounts.

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 2003 year-end appropriation of retained earnings of the Company, which was approved at the General Meeting of Shareholders held in June 2003, is presented below:

	Millions of yen	Thousands of U.S. dollars
Appropriation for:		
Cash dividends, ¥11.50 (\$0.1) per share	¥1,317	\$10,975
Bonuses to directors	76	633
Retained earnings, provided for as general reserve	6,000	50,000
	¥7,393	\$61,608

10 Treasury Stocks

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

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.

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 (\$41,667 thousand) until the date of next ordinary shareholders' meeting.

In accordance with that approval, the Company has acquired treasury stocks of 151,000 shares for the fiscal year ended March 31, 2003, and those of 165,100 shares in April, 2003.

The following are the status of purchasing the treasury stocks and the balances of treasury stocks held by the Company as of March 31, 2002 and 2003.

Month of purchasing treasury stocks	Number of common stock shares purchased	Amounts to pay for purchases
In June, 2000	149,000	375
In June, 2001	145,000	309
As of March 31, 2002	294,000	684
In July, 2002	151,000	319
Fractional shares during the year	80	0
As of March 31, 2003	445,080	1,003
In April, 2003	165,100	178
As of June 27, 2003	610,180	1,181

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, amounted to ¥2,185 million, ¥2,309

million and ¥2,246 million (\$18,717 thousand) for the year ended March 31, 2001, 2002 and 2003, 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
	2001	2002	2003	2003
Salaries and bonuses	¥12,265	¥12,075	¥12,176	\$101,467
Provision for bonuses to employees	1,505	1,451	1,228	10,233
Provision for severance indemnities	96	117	114	950
Depreciation	673	660	635	5,292
Rent expense	3,670	3,348	3,211	26,758
Freight charges	5,057	5,083	5,105	42,542
Research and development expenditure	2,181	2,309	2,246	18,717
Pension expense	478	610	794	6,617
Others	8,035	9,469	9,588	79,899
Total	¥33,960	¥35,122	¥35,097	\$292,475

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 per cent, effective from April 1, 1999.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective April 1, 2004. Under the amended legislation, the enterprise tax will be the sum of three tax components; a) an income based component, b) a value added component and c) a capital based component, although there was only an “income tax based component” before the amendment. Concurrently, the basic tax rate for the “income based

component” would be reduced from 9.6% to 7.2%. As a result of this amendment, the tax rate to be applied to deferred tax assets and liabilities as at March 31, 2003 for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, that are expected to reverse in the year beginning April 1, 2004 or later, decreased from 42.1% to 40.5%. This resulted in a reduction in deferred tax assets at March 31, 2003 by ¥87 million (\$725 thousand), compared with the deferred tax asset that would have been recognized if a tax rate of 42.1% had been fully applied to all temporary differences. Net income for the year ended March 31, 2003 also reduced by ¥74 million (\$617 thousand) as a result of these changes in statutory local enterprise tax regulations.

The significant components of deferred tax assets and liabilities for the year ended March 31, 2002 and 2003 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
(Current assets)			
Deferred tax assets:			
Accrued bonuses	¥1,193	¥1,239	\$10,325
Enterprise tax	463	307	2,558
Others	48	157	1,309
	¥1,704	¥1,703	\$14,192
(Long-term assets)			
Deferred tax assets:			
Depreciation	¥ 273	¥ 226	\$ 1,883
Accrued severance indemnities	257	262	2,183
Pension liabilities	506	785	6,542
Bad debt reserve	74	32	267
Unrealized loss on golf memberships	179	182	1,516
Unrealized loss on investment securities	336	802	6,683
Unrealized gain/loss on other securities	106	322	2,683
Others	104	116	968
	1,835	2,727	22,725
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	(146)	(120)	(1,000)
Others	(58)	(55)	(458)
	(204)	(175)	(1,458)
Deferred tax assets, net	¥1,631	¥2,552	\$21,267
(Long-term liabilities)			
Deferred tax liabilities:			
Depreciation	¥ 192	¥ 191	\$ 1,592
Total	192	191	1,592
Deferred tax assets	(35)	(63)	(525)
Deferred tax liabilities, net	¥ 157	¥ 128	\$ 1,067

“Pension liabilities” for the year ended March 31, 2002 includes a prepaid pension expense of ¥156 million.

The reconciliation between the statutory tax rate and the income tax rate in the consolidated statements of income for the year ended March 31, 2002 and 2003 are as follows:

	March 31, 2002	March 31, 2003
Statutory effective tax rate	42.1%	42.1%
(Reconciliation)		
Entertainment expenses	1.4	1.6
Equalization of inhabitants tax	0.6	0.8
Effect on changes of effective tax rate	—	0.5
Others	(1.1)	0.8
Effective income tax rate	43.0%	45.8%

14 Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases do not transfer ownership of the assets at the end of the lease term, are accounted for as operating leases in accordance with

accounting principles and practices generally accepted in Japan. 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 which do not 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
	2001	2002	2003	2003
Machinery, equipment and vehicles	¥ 1,343	¥2,596	¥2,602	\$21,683
Tools and furniture	7,084	6,922	7,746	64,550
Other assets	183	224	179	1,492
Accumulated depreciation	(5,185)	(5,624)	(6,869)	(57,242)
	¥ 3,425	¥4,118	¥3,658	\$30,483

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

March 31	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Due within one year	¥1,450	¥1,665	¥1,832	\$15,267
Due after more than one year	3,701	4,454	3,974	33,116
	¥5,151	¥6,119	¥5,806	\$48,383

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

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Lease payments	¥1,719	¥1,950	¥2,071	\$17,258
Amount representing depreciation	¥1,958	¥1,961	¥2,094	\$17,450
Amount representing interest	¥ 252	¥ 248	¥ 259	\$ 2,158

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

March 31	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Due within one year	¥ 492	¥ 816	¥ 506	\$ 4,217
Due after more than one year	1,598	3,339	2,641	22,008
Total minimum lease payments	¥2,090	¥4,155	¥3,147	\$26,225

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, 2002 and 2003, 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. Treasury stocks held during periods are excluded.

Effective from the year ended March 31, 2003, the Company and its consolidated subsidiaries adopted the Statement of Financial Accounting Standard No. 2 "Earnings per Share" issued by the Accounting Standards Board of Japan. Prior to adopting the new statement, earnings per share were calculated based on the net income shown on consolidated statements of income, which is the amount before deduction of bonuses to directors and statutory auditors that are recognized as an appropriation of retained earnings in the consolidated statement of shareholder's equity. However, the new

statement requires that net income should be adjusted by deducting the amounts not attributable to the common shareholders such as bonuses paid to directors and statutory auditors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings from net income shown in statements of income and the calculation of earnings per share be made on that adjusted net income basis.

The earnings per share for the year ended March 31, 2003 amounts to 65.45 yen which is calculated by deductions director's bonus of 129 million yen.

The following are earnings per share for the year ended March 31, 2001, 2002 and 2003 calculated using the new method.

	Yen		
	2001	2002	2003
Per share of common stock			
Net income			
Basic	¥79.57	¥91.02	¥65.45
Diluted	—	—	—

The following are the number of common shares to be granted.

	The date of ordinary shareholders' meeting	Number of common share to be granted (shares)	Exercise price per share (exact yen)	Exercise periods
I. Stock options to purchase the treasury stocks	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
II. Stock option to purchase newly issued shares	June 27, 2002	151,000	2,131	From July 1, 2003 to June 30, 2008
		445,000		

Note: These stock options to purchase the treasury stocks and to purchase newly issued shares were given to certain directors and employees at the ordinary shareholders' meeting held on June 29, 2000, June 28, 2001, and June 27, 2002, respectively.

These stock options to purchase the treasury stocks and to purchase newly issued shares will have a dilutive effect only when the average market price of common stocks during each fiscal year exceeds the

exercise price of these options. During the 2001, 2002 and 2003 fiscal years average market price did not exceed the exercise price given. Accordingly there is no dilutive effect on earnings per share.

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, 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, 2003	Millions of yen				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	¥149,475	¥41,849	¥191,324	¥ —	¥191,324
(2) Inter-segment	286	1,310	1,596	(1,596)	—
Total	149,761	43,159	192,920	(1,596)	191,324
Operating expenses	132,975	41,622	174,597	1,697	176,294
Operating profit	¥ 16,786	¥ 1,537	¥ 18,323	¥(3,293)	¥ 15,030
II. Assets, depreciation and capital expenditure:					
Assets	¥110,518	¥13,887	¥124,405	¥24,585	¥148,990
Depreciation	4,530	41	4,571	59	4,630
Capital expenditure	10,453	8	10,461	—	10,461

March 31, 2003	Thousands of U.S. dollars				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
I. Net sales:					
(1) Outside customers	\$1,245,625	\$348,742	\$1,594,367	\$ —	\$1,594,367
(2) Inter-segment	2,383	10,917	13,300	(13,300)	—
Total	1,248,008	359,659	1,607,667	(13,300)	1,594,367
Operating expenses	1,108,125	346,850	1,454,975	14,142	1,469,117
Operating profit	\$ 139,883	\$ 12,809	\$ 152,692	\$(27,442)	\$ 125,250
II. Assets, depreciation and capital expenditure:					
Assets	\$ 920,983	\$115,725	\$1,036,708	\$204,875	\$1,241,583
Depreciation	37,750	342	38,092	491	38,583
Capital expenditure	87,108	67	87,175	—	87,175

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.
- d) "Assets" mainly includes short-term deposits and long-term investments of the Company.

(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, 2003

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, 2002 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, 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, 2003)

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

Total number of subsidiaries: 18

Total number of affiliates: 7

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

*² Indirectly owned through T.F. Company Limited.

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

Board of Directors

(As of June 27, 2003)

President and CEO

Yasuhiro Fukuda

Executive Vice Presidents

Masanori Akiyama

Mineo Nagayasu

Senior Managing Directors

Shigeyuki Yasunaga

Mikihiko Shijo

Ryuji Ouchi

Managing Directors

Kenji Osanai

Takeo Sugi

Directors

Naoki Adachi

Toshifumi Motohara

Kazuo Kato

Masamichi Kuroda

Michikata Kono

Hirohito Okada

Statutory Auditors

Tatsuo Yamamoto (full-time)

Yukio Terada (full-time)

Kunio Sakuma

Takeshi Toyama

Corporate Data

(As of March 31, 2003)

Head Office

7-3, Higashi Shimbashi 1-chome,
Minato-ku, Tokyo 105-8311, Japan
Tel: 03-6253-6000

Date of Establishment

May 1955

Shareholders' Equity

¥99,969 million

Common Stock

Authorized: 400,000,000 shares

Issued: 115,000,000 shares

Stock Listing

Tokyo Stock Exchange

Number of Employees

6,342

TOPPAN FORMS CO.,LTD.

7-3, Higashi Shimbashi 1-chome,
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