

**TOPPAN FORMS**

ANNUAL REPORT 2014

Year ended March 31, 2014



**Differentiation,  
Progression,  
Growth**

# Differentiation, Progression, Growth

Advancing differentiation needed to  
create growth drivers for  
boosting profitability

**Toppan Forms Co., Ltd.**, was founded in 1955 as a printing company specializing in business forms. It has since evolved as an information solutions company by leveraging the technologies and expertise it has accumulated in fields related to business forms and data print services (DPS) to help customers communicate information in the optimal manner. Today, we operate in four focus areas, the printing business, the merchandise business, the information communication technologies (ICT) business, and overseas business. Our growth strategies call on us to **differentiate** our lineup of products and services in these areas from the offerings of competitors.

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## About this Annual Report

This annual report has been published to serve as a communication tool to help the Company develop stronger trust-based relationships with its shareholders and other investors as well as all of its other stakeholders. The goal of this report is not only to disclose information regarding the Company's operating performance and management initiatives, but also to deepen the reader's understanding of the superior position that the Company has developed in the fields of printing, information management, and communication. Annual Report 2014 focuses on describing the business foundations that Toppan Forms has developed over the years and explaining the growth strategies the Company will implement going forward.

## Forward-Looking Statements

Statements contained in this annual report that are not historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, performance, or achievements to differ materially from those anticipated in these statements.

## PRINTING BUSINESS

We are actively conducting M&A activities and investing in the construction of new operating sites to further expand our business domain

Toppan Forms is progressively constructing systems for receiving batch orders of its comprehensive range of input and output services, which span all related processes and are provided on a one-stop basis. Ever-more stringent security systems are also being installed. Through these efforts, we are differentiating ourselves from the competition while further expanding our business domain.



Hino Center  
(new BPO service base)



The Toppan Group datacenter  
(Image is for illustration purposes only.)

## ICT BUSINESS

Forming alliances with major e-money providers in the NFC payment business

Aiming to spread usage of its cloud payment system, Thincacloud, which uses near field communication (NFC) technologies, the Company is working to form alliances with Japan's major e-money providers. We allied with Rakuten Edy, Inc., in fiscal 2014, adding to the one provider with which an alliance was already formed, and we aim to establish ties with the remaining providers as quickly as possible.



E-money payment platforms in use at Rakuten Kobo Stadium Miyagi

## MERCHANDISE BUSINESS

Toppan Forms is developing new products related to environmental and logistics fields

Used now in air-transport containers as well as on deliveries of refrigerated items within Asia, Toppan Forms' *MechaCool* high-performance refrigerant is utilized for an increasingly widening range of applications. Going forward, the Company will continue to introduce such high-value-added products related to environmental and logistics fields.



Refrigerated air-transport container developed using *MechaCool*



## OVERSEAS BUSINESS

We are Expanding our Business in China and the ASEAN region

Toppan Forms is developing operations in the Chinese market while strengthening local sales systems centered on subsidiaries in Hong Kong and Shanghai through collaboration with ZHEJIANG MATSUOKA PRINTING CO., LTD., with which the Company has formed a business and capital alliance. At the same time, operations are being expanded in the ASEAN region based out of Singapore and Thailand.

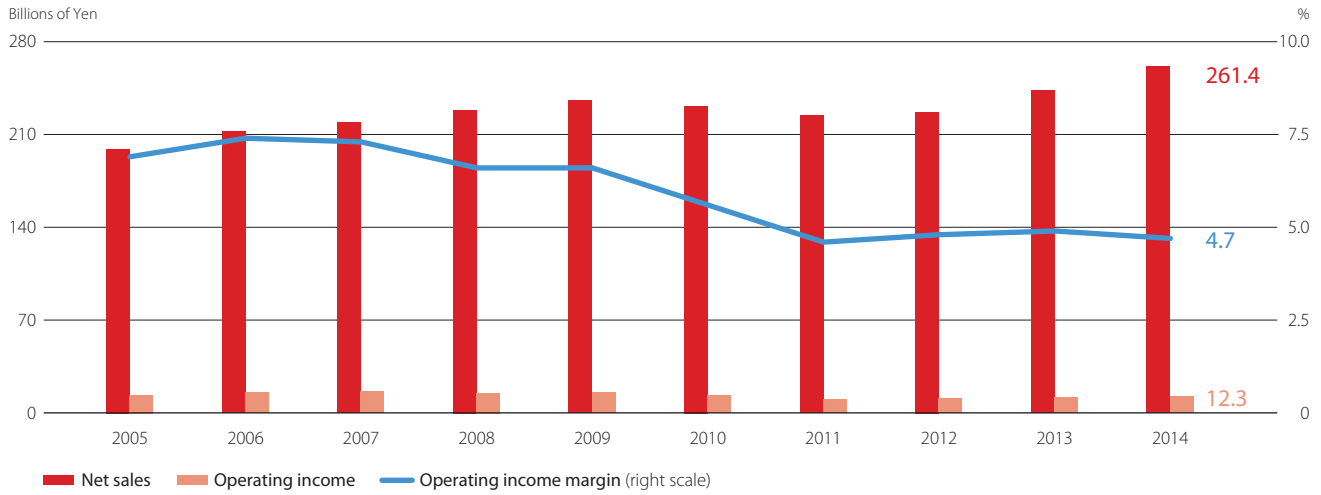


Diverse product lineup of Data Products Toppan Forms Ltd. of Thailand

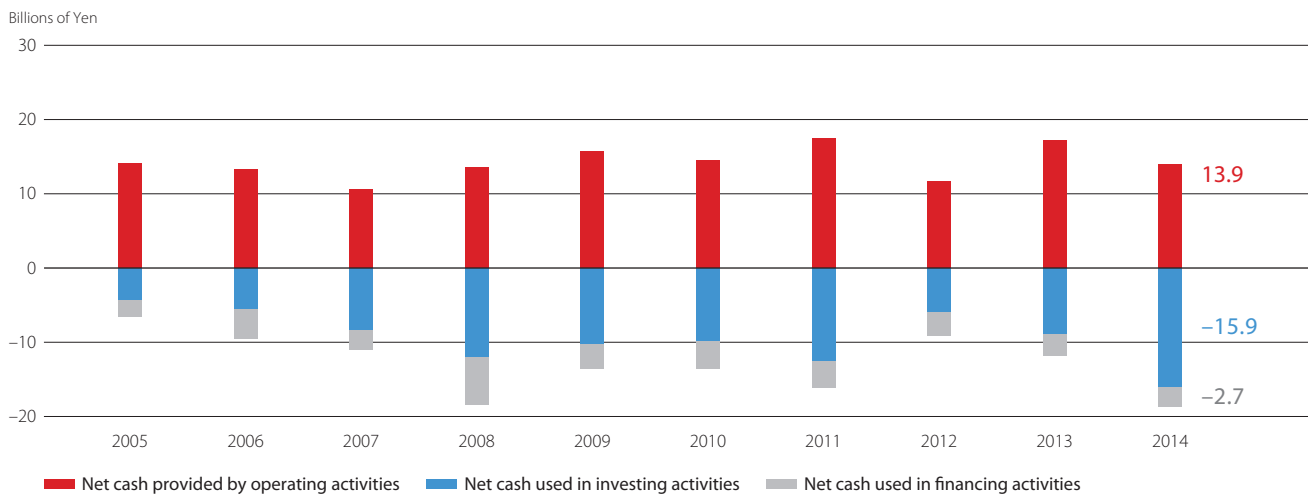
# Consolidated Financial Highlights

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

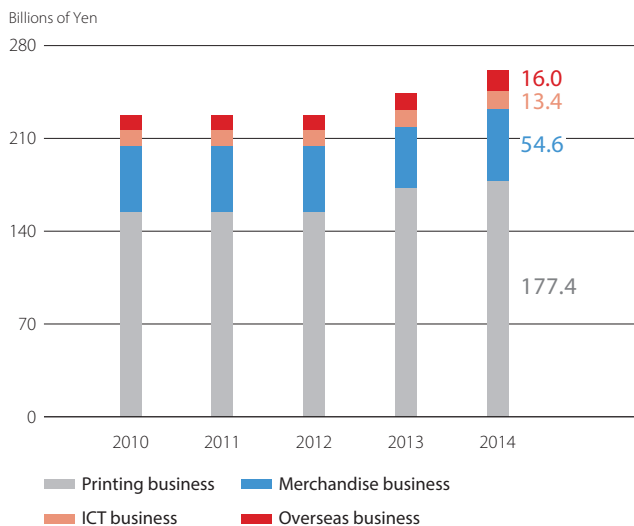
## Financial Performance



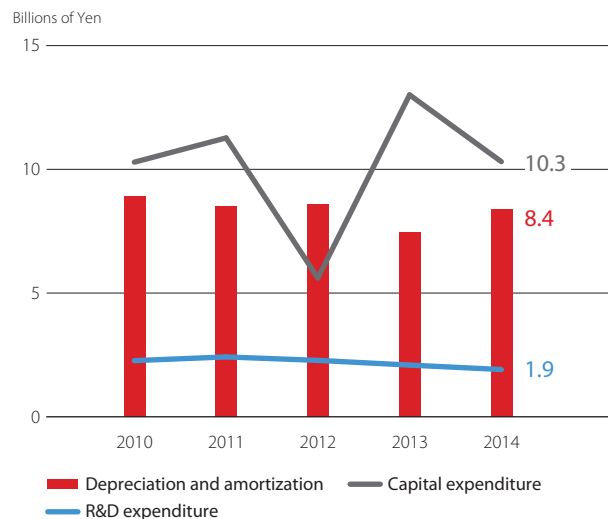
## Cash Flows



## Breakdown of Net Sales



## Investment for Growth



## A Message from the President

In fiscal 2014, ended March 31, 2014, the Japanese economy experienced a gradual recovery as companies began recording earnings improvements and consumer spending picked up. These factors can be attributed to the yen depreciation and stock price improvements that resulted from the government's monetary easing as well as the demand rush that preceded the consumption tax hike. Overseas, conditions remained unclear amidst risks of an economic downturn due to the slowdown in China and other emerging economies.

In the business form industry, where Toppan Forms operates its core business, demand recovered in certain sectors. However, corporate cost reduction initiatives were widespread and ongoing and cost competition was intense, leading to selling price declines. Coupled with the impacts of the advancement of information and network technologies, this made for a harsh operating environment.

Under these conditions, the Company worked to strengthen its operating foundation in the printing business by branching out from its DPS service operations into the BPO field. In the ICT business, meanwhile, we pushed forward with development of new ICT-field products and services that respond to the needs created by the spread of information technologies. Meanwhile, the merchandise business was expanded by developing and promoting new products and exploring promising new markets. Overseas, we advanced operations in markets in Hong Kong and Singapore. At the same time, operations in the larger Chinese market were advanced through cooperation with ZHEJIANG MATSUOKA PRINTING CO., LTD., with which the Company has



formed a business and capital alliance, while ASEAN markets were explored together with overseas Group companies.

To strengthen our operating foundation, we improved profitability by consolidating manufacturing bases, boosting productivity, lowering material expenses, and thoroughly cutting manufacturing costs.

As a result of these efforts, net sales in fiscal 2014 increased 7.2% year on year, to ¥261.4 billion; operating income was up 3.2%, to ¥12.3 billion; and net income rose 3.0%, to ¥7.3 billion.

The Group is committed to providing comprehensive information management solutions that address the future needs of society, and will do this based on a customer-first standpoint. In this manner, we aim to make Toppan Forms a company that continues to hold the trust of customers. I hope we can continue to expect your support as we undertake these bold endeavors.

July 2014

A handwritten signature in black ink that reads "Shu Sakurai". The signature is written in a cursive, flowing style.

**Shu Sakurai**  
President and CEO

## An Interview with the President

» **Q** In fiscal 2014, Toppan Forms achieved higher year-on-year sales and income for the third consecutive year. What factors do you think contributed to this impressive performance?

**A** Our ability to continue recording increases in sales and income over these three years, which have not presented an easy operating environment, is due to the unique characteristics of Toppan Forms, which cannot be found in our competitors. One such characteristic is our unmatched ability to manage personal information. Toppan Forms' DPS services have led their market since its infancy, more than a quarter of a century ago. The technologies for managing and utilizing personnel information, track record, and security systems we have developed over the years are far and beyond those of the competition.

This superiority is also being demonstrated overseas, as the technologies and expertise developed in Japan are also being employed by Group companies that operate centered on the ASEAN region.

Another characteristic of Toppan Forms is its strong relationships with prominent companies in Japan and overseas, relationships that are built on a solid foundation of trust. Our customer base is clearly different than those of other printing companies as financial institutions, such as banks, credit card companies, and securities firms, make up a large portion of our customer base. Also, the products and services we propose are easily compatible with corporate divisions that are in charge of information strategies and are closely linked to company databases, such as IT and office planning departments. We are working to build even stronger relationships with these divisions.

Toppan Forms is also expanding into the new field of BPO. We were quick to create results in this field, and I believe that this success is due to the strengths I have just discussed.

» **Q** How specifically did the acquisition of J-SCube Inc. in fiscal 2013 strengthen your BPO service systems and what is the situation in this business? Also, could you please offer an overview of conditions in the business form and DPS businesses? Furthermore, what initiatives are being conducted to reduce overall costs, through means such as consolidating bases, and what have the results of these initiatives been?

**A** Toppan Forms' printing business started with business forms, and then grew by expanding into new fields, such as DPS services and now BPO services. We are looking to incorporate other peripheral businesses to further expand the scope of this business. The acquisition of J-SCube in April 2013 was an initiative targeting such expansion. Toppan Forms has continued to refine its expertise in the data output field, whereas J-SCube boasts strengths in scanning and other areas of the input field. Incorporating these strengths into our operations has enabled us to construct one of Japan's largest integrated systems for comprehensively contracting services spanning from input to output. Going forward, we will place particular emphasis on strengthening our ability to provide "personalized notifications" services that safely and accurately portray the information that needs to be communicated to each individual customer.

As for conditions in fiscal 2014, we continued to conduct proposals that employ universal design concepts and techniques to improve the ability of business forms to properly communicate information. We also worked to develop and provide proposals for batch contract orders for procurement processes related to business forms as well as other printed materials. However, we could not avoid the impacts of the shrinking market, and performance suffered particularly in the first half of the fiscal year. Nevertheless, performance in the second half of fiscal 2014 was relatively unchanged from the second half of fiscal 2013. For this, we can thank the demand rush for business forms revisions that preceded the consumption tax hike. DPS services suffered from the reduced demand for notifications following the spread of digitalization and lower selling prices stemming from simpler orders from customers and intensified competition. Nevertheless, performance was strong due to the rise in notification sales driven by the brisk securities market and the rise in direct mailing demand related to the newly instituted Nippon Individual Savings Account (NISA) system. In addition, BPO sales were strong due to our success in steadily capturing the rising outsourcing needs. In regard to cost reductions, we saw some benefits from the progress in the consolidation of manufacturing sites and other structural reforms focused on manufacturing costs. However, downward pressure was placed on operating income by the depreciation expenses associated with new factories constructed to facilitate manufacturing site consolidation and the high rise in expenses from building the Group datacenter. While profitability is down at the present, these investments are meant to fuel future growth, and we look forward to their benefits in the future.

### **Profitability Strengthening in the Printing Business**

Aiming to strengthen the profitability of its printing business, the Company is advancing structural reforms by consolidating manufacturing bases to reduce costs.

Toppan Forms previously operated a total of nine manufacturing bases in the Tokyo metropolitan area. By consolidating the function of its bases in Hino, Hachioji, Tatsumi, and Tokorozawa into its new Takiyama Factory, the nine bases were consolidated into four. Similarly, the Company's seven Kansai area bases were consolidated into three by consolidating the function of bases in Osaka, Setsu, and Esaka into the Osaka-Sakurai Factory.

Through means such as consolidating these manufacturing bases, the Company will work to reduce selling, general and administrative (SG&A) expenses and other corporate expenses. We have

set the target of achieving cost reductions to the extent of ¥10.0 billion by fiscal 2016.

At the same time, we are strengthening our IT foundations through the construction of a Toppan Group datacenter, which is being built together with Toppan Printing Co., Ltd., our parent company.



» **Q The medium-term management plan slated to end with fiscal 2015 calls for Toppan Forms to transform into a high-value-added company. What specific initiatives are you implementing toward this goal and how are they progressing?**

**A** To advance our transformation into a high-value-added company, we have defined four priority management objectives: (1) strengthen onsite capabilities, (2) achieve unmatched differentiation, (3) build a solid financial base, and (4) earn the approval of society. The manufacturing site consolidations and Toppan Group datacenter I mentioned previously represent part of these efforts.

The Toppan Forms Group aims to grow to have a strong presence not only in Japan, but also in the global market. To this end, we are strengthening both the hard and soft elements of our systems for receiving orders as a business operator that handles personal information, an endeavor that will further differentiate the Company from its competitors.

At the same time, we want to become a company that earns society's approval with regard to aspects of its activities other than business performance. We are advancing initiatives with the aim of gaining such recognition, and in fiscal 2014, this resulted in the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange naming Toppan Forms as "Nadeshiko stock," which signifies that we are developing a workplace environment that empowers women.

In June 2015, we will celebrate the 50th anniversary of Toppan Forms' founding. The three-year medium-term management plan we started up in preparation for this momentous event will end in fiscal 2015. We also positioned the year as a year for accumulating the strength that will propel us forward over the next five years, the next ten years, and beyond.

By steadily advancing initiatives geared toward achieving our four priority management objectives, we will transform Toppan Forms into a high-value-added company.

### Designation as Both Diversity Management Selection 100 and Nadeshiko Brand

On March 3, 2014, the Ministry of Economy, Trade and Industry announced the award winners of the FY2013 Diversity Management Selection 100 Project and named the companies that were granted the "Nadeshiko Brand" designation by the ministry in conjunction with the Tokyo Stock Exchange.

Toppan Forms was on both lists. Receiving both these prestigious honors was largely due to

the high evaluation of our initiatives targeting diversity and inclusion, which are being promoted by administrative divisions under the guidance of the Company's senior management.

These initiatives have garnered a great deal of attention, and were even featured on a television program.



Television recording



## »Q How are conditions in the Merchandise Business?

A

In the Merchandise segment, we are developing temperature management solutions that combine our high-performance refrigerants with temperature tracking systems. These solutions will primarily be marketed toward the logistics, medical, pharmaceutical, Internet-based food sales, and air transport industries. We also launched a new recycling-based service that uses paper containers to aid logistics and provide environmental value. Made from paper, these containers can be reused to reduce both logistics costs and environmental impacts. Furthermore, containers can be made in sizes that match the sizes of the products to be transported, allowing for flexible customization in response to customer needs. We primarily aim to sell these products to the manufacturing and financial industries. Going forward, we will continue to bolster our lineup of high-value-added, eco-friendly, energy-saving products.

### Revolutionary *MechaCool* Transportation System Wins Prize in Reconstruction Agency-Sponsored Event

The Revive Japan Cup is a business contest sponsored by the Reconstruction Agency with the aim of furthering the reconstruction effort in the Tohoku region, which suffered heavy damage during the Great East Japan Earthquake. In the business section of this event, first prize was awarded to a marine product freshness maintenance and immediate transport system. This system employs the Toppan Forms' *MechaCool* high-performance refrigerant as well as sensor tags that track temperature levels during transportation.

This *MechaCool* transportation system is currently being used to transport fresh marine products harvested at Iwate Prefecture's Otsuchi town to restaurants in the Tokyo metropolitan area. These shipments are known as the *Otsuchi Reconstruction Kizuna Delivery* service. The system enables marine products to be transported while maintaining an optimal temperature, while at the same time allowing for high-efficiency, low-cost, and eco-friendly transportation. In this manner, we are helping expedite the recovery of the fishing and agricultural industries of the Tohoku region.



Fish transported in a fresh state using *MechaCool*

» **Q** What initiatives are being advanced in ICT businesses? You have successfully formed an alliance with e-money provider Rakuten Edy, Inc., for your near field communications (NFC)-based payment platform, adding to your alliance with Seven Card Service Co., Ltd., and their nanaco brand e-money. How are other initiatives in this area progressing?

**A** Our IC card initiatives entail focusing management resources on the identification number field, where we hold the top share of the domestic market. In particular, we are advancing initiatives with the aim of capturing the demand to be created by the “My Number” national identification number system scheduled to be instituted starting from 2016.

In the RFID-field, we are promoting the shift to cloud computing services for asset management and entry management systems. Furthermore, in the digital solutions field, where we are differentiating ourselves from competitors, it will be possible to provide services that competitors cannot imitate by utilizing our strengths in printing technologies and electronic distribution.

In regard to Toppan Forms’ Thincacloud cloud e-money payment platform, which employs NFC technologies, we have successfully allied ourselves with Rakuten Edy. Services are already being provided through this alliance, with one notable example being its usage for sales conducted at baseball stadiums.

### Alliance with E-Money Provider Rakuten Edy

Toppan Forms has developed a payment platform that allows Rakuten Edy e-money to be used through smartphones equipped with the Osaifu Keitai® system provided by NTT DOCOMO, INC. This platform represents Japan’s first system for making payments by using a smartphone as a stand-alone e-money payment terminal, with no external devices necessary.

We anticipate that this platform will be employed in a wide range of situations, including at outdoors events and for using transportation and delivery services. In future, we hope to make this platform available as an application downloadable through Google Play™ and other digital content distribution services. Once realized, this

platform will be used to spread new smartphone-based e-money payment methods throughout society.



» **Q** Overseas businesses are seeing strong improvements in performance due to the efforts of overseas subsidiaries. What are your future plans for these businesses?

**A** To strengthen our printing business in the Chinese market, we formed a business and capital alliance with ZHEJIANG MATSUOKA PRINTING CO., LTD., which is developing business form printing operations in Shanghai, Guangzhou, Beijing, and other areas. Through manufacturing and marketing coordination between this company and Group companies, we will advance into markets in the Shanghai and Guangzhou areas based on considerations of the scale and growth potential of each market.

In the markets of Hong Kong and Singapore, we will promote sales through cross-selling initiatives targeting existing customers to further deepen our presence in these markets. At the same time, sales of next-generation products, including new IT products and NFC products, and services will be aggressively promoted to further address latent demand in these markets.

In ASEAN markets, we are reinforcing our printing and ICT operations and strengthening alliances with overseas partners in order to advance into the markets of developing countries in this region.

Specifically, affiliate Data Products Toppan Forms Ltd. in Thailand will be used as a base for expanding into surrounding markets.

## » Q In closing, do you have anything you would like to say to Toppan Forms' shareholders, particularly with regard to shareholder returns?

A

Going forward, Toppan Forms will break out from the boundaries of a Japanese business form and printing company to transform into a global company that maximizes the value of customers' information and databases.

In order to undergo this transformation, we will need to secure internal revenues to quickly advance necessary measures such as research and development, investing in rationalization, and new business creation.

However, I also would like to encourage our shareholders to maintain their holdings into the medium- to long-term; consequently, I intend to continue offering stable shareholder returns determined based on consideration of business performance and the dividend payout ratio. For fiscal 2014, we issued dividend payments totaling ¥25 per share, making for a consolidated dividend payout ratio of 37.9%.

I hope you will look forward to our success as we further accelerate the speed of transformations and target ongoing growth.

### Credit Card Printing Business with Majority Share in Hong Kong Market

Toppan Forms Card Technologies Ltd. is developing its business based in Hong Kong, where it has a share of more than 60% for printing services related to credit cards, cash cards, and other financial cards.

This overwhelming market share is a result of the strong image the Toppan Forms Group has developed in this market to date. Specifically, we have an unrivaled level of trust from our clientele and a strong brand image in business fields that entail usage of personal information and other highly confidential information.

In addition, we have invested in ZHEJIANG MATSUOKA PRINTING, which is developing business form and DPS operations. In this manner, we are positioning ourselves to conduct

sales activities targeting Japanese companies advancing into the Greater China area and other overseas regions as well as prominent local logistics companies.





# Differentiation, Progression, Growth



**Meiyō Oka**  
General Manager of  
the International Business Division,  
Director

It was not long after its founding that the Toppan Forms Group began serving overseas companies. Today, we have bases positioned in eight countries in the Greater China and ASEAN regions centered on Hong Kong and Singapore. In the past three years, overseas performance has been impressive with almost all overseas Group companies recording year-on-year increases in sales and income.

One factor behind this recent improvement in performance is the transference of functions of the International Business Division, which serves to guide overseas operations, from Tokyo to Hong Kong in April 2010. Placing business management closer to the actual regions and sites where operations take place has allowed for business to be developed more rapidly while strengthening cross-border coordination between Asian offices and the Tokyo head office.

The following is a message from Meiyō Oka, General Manager of the International Business Division and director in charge of guiding our overseas businesses.

## State of Overseas Businesses

### Impressive Growth of Overseas Group Companies

In recent years, overseas Group companies have been showing impressive growth rates, a result of their untiring management efforts. Accordingly, overseas sales are coming to represent an ever larger portion of the Toppan Forms Group's total net sales.

After being appointed as General Manager of the International Business Division in 2012, my first act was to optimize the distribution of management resources through "glocal"\*1 perspectives." Specifically, I advocated searching for management candidates for overseas subsidiaries among the local staff hired in their respective countries. This approach was initially adopted by three subsidiaries in Hong Kong before being expanded to all overseas subsidiaries. I feel that this approach is beneficial in advancing medium- to long-term strategies. This is because managers dispatched from Japan are only positioned overseas temporarily, and are reassigned after a few years, thereby limiting their ability to play an ongoing role in strategies.

Furthermore, Asia is a region that contains a diverse range of language, cultures, and business customs. Currently, 90% of our overseas business is conducted with local companies. For this reason, local managers that are well versed in their country's business practices are an invaluable asset. Such local managers are also able to devote long periods of time to forging bonds of trust with customers, which is another significant advantage. I believe that the transition to a management system centered on such local managers was one of the principal reasons behind the strong performance we have been seeing as of late.

\*1 "Glocal" is a coined word combining the words "global" and "local."

### Unrivalled Strength of the Toppan Forms Group

There are no direct rivals for the business of the Toppan Forms Group, and this holds true in most countries. We do face competition in individual business fields, such as business forms, DPS services, cards, BPO services, and IT database management, but there are no other companies capable of providing products and services that comprehensively incorporate all these areas on a one-stop basis.

Another strength, or perhaps the greatest strength, of the Toppan Forms Group is its sophisticated security system. We provide services that entail handling highly confidential information, such as contract printing of various financial statements and manufacturing of credit cards and cash cards. Government organizations and other customers in these areas have high standards for the systems of the subcontractors they use. Similarly, banks and credit card companies have strict judging criteria for subcontractors. The Toppan Forms Group has developed systems that meet all these standards.

## Business Expansion in China

### Alliance with Shanghai Printer

In China, a company's relationship with the government is an important aspect of developing a business. Toppan Forms has continued to grow its business in this market by partnering with prominent Chinese companies, an approach that aids its attempts to foster relationships with the government. For example, we commenced a business and capital alliance with Shanghai printer ZHEJIANG MATSUOKA PRINTING CO., LTD., in 2013.

ZHEJIANG MATSUOKA PRINTING is a leading printer of transportation slips and other business forms. By sharing Toppan Forms' manufacturing know-how and technologies with this company, we will work to expand operations centered on Shanghai and South China going forward.

## New Advancements in the ASEAN Region

### Thai Affiliate Poised for Expansion in the ASEAN Region

Thailand-based equity-method affiliate Data Products Toppan Forms Ltd. (DPTF) successfully acquired a contract for a national identification card project\*2 during fiscal 2014, which led to a substantial increase in the company's sales and income. There are three main factors behind DPTF's ability to capture this national-level project. The first is this company's trusting relationship with the Thai government, which has been fostered over many years. The second factor is the fact that DPTF is highly recognized in the Thai market. The quality and cost performance of DPTF's services constitute the third factor.

We anticipate that DPTF's receipt of this significant project will help further its expansion into countries neighboring Thailand. Moreover, the establishment of the ASEAN Economic Community (AEC) in 2015 is expected to stimulate increased exchanges between countries in this region. Looking to take advantage of this development, the Company is employing a scrutinizing approach toward selecting its next expansion target from among such candidates as Vietnam, the Philippines, and Myanmar. Going forward, we will pursue steady growth in the ASEAN region by utilizing Thailand as a strategic base and gradually developing our production network through alliances with trust-worthy partners such as ZHEJIANG MATSUOKA PRINTING in Shanghai.

\*2 National identification card project:

This project entails producing the national identification cards that are issued to all citizens of Thailand, and then delivering these cards to government institutions throughout the country.

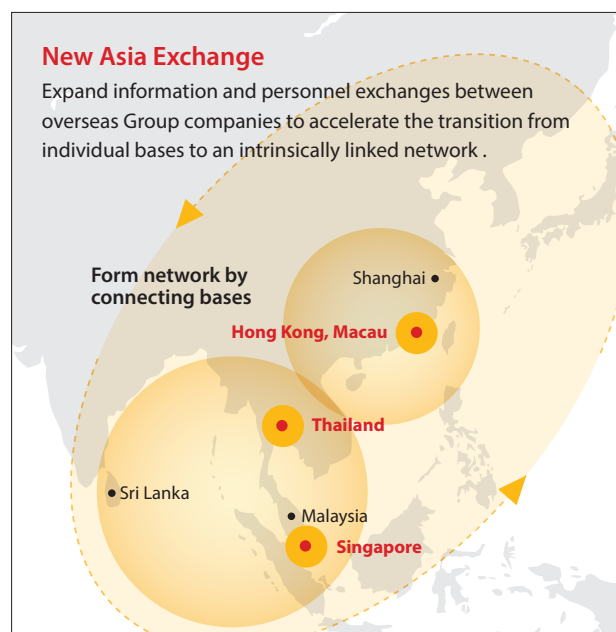
In its first year, the project will require the production of 16 million cards, to be manufactured and delivered in a six-month period, with an additional 10 million cards to be produced in each subsequent year.

## Future Outlook for Overseas Businesses

### Importance of Coordination in Asia

Previously, overseas Group companies have developed their businesses individually. However, in the past several years, we have begun seeing coordination. Now, there are exchanges between all overseas Group companies. This has enabled these companies to receive orders that they would have lacked the resources to fill in the past, and complete these orders through collaboration with nearby Group companies and other bases. Moreover, these companies are now able to provide solutions that go beyond the premise of such orders. In the future, we will encourage exchange of technicians as well as management resources to thoroughly improve quality and provision capabilities throughout all our Asian operations.

The Toppan Forms Group's immediate goal is to increase overseas sales until they account for 10% of total net sales. Going forward, we aim to make substantial contributions to consolidated performance in order to accomplish this goal within five years.

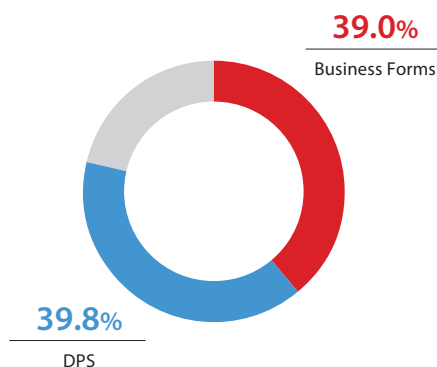


# Review of Operations

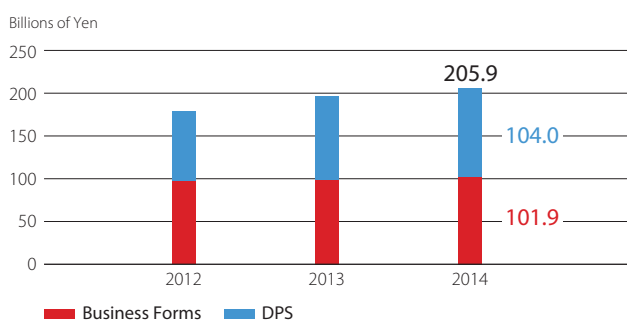
## Printing Business Segment

The Printing Business segment contains Toppan Forms' core business, which is the main pillar supporting earnings and is also the origin point of the technologies that form the basis for the Company's ever-more diverse lineup of products and services. It consists of Toppan Forms' industry-leading Business Forms Division and Data Print Services (DPS) Division, which includes business process outsourcing (BPO) services, each of which holds the top share in their respective market. In fiscal 2014, sales in the Printing Business segment rose 4.6% year on year, to ¥205.9 billion, and accounted for 78.8% of consolidated net sales.

Breakdown of Net Sales



Sales by Segment



## Products/Services

### Business Forms Division

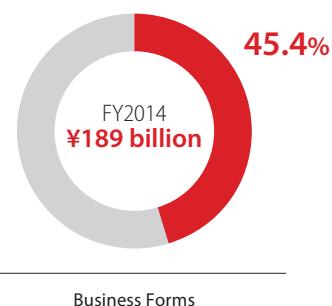
The Business Forms Division is divided into two major product categories—Business Forms, which uses paper business forms, and digital business forms, which centers on electronic documents, such as e-mail and Web-related services, and IC- and RFID-related products.



### Main Products/Services

- Business Forms**
- Transport and delivery slips
  - Mail-related forms
  - *POSTEX* sealed postcard series
  - Environment-friendly business forms
- Digital Media**
- Digital messaging services
  - Web-related services
  - IC tags, smart cards, and other RFID products

### Market Scale/Toppan Forms' Share



### Data Print Services (DPS) Division

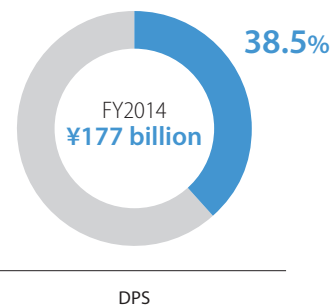
The DPS Division is an outsourcing business comprising the processing and printing of customer data, as well as envelope insertion and dispatching. From this base, we are continually expanding the range of services offered by this division.



### Main Products/Services

- Data Print Services (DPS)**
- Business mail for notifications
  - Direct mail for sales promotions
  - Business process outsourcing (BPO)
- Digital Print on Demand (DOD)**
- Personalized marketing tools
  - Personalized educational materials

### Market Scale/Toppan Forms' Share



\* Exclusion of BPO service

## Initiatives in Fiscal 2014

### Business Forms Division

In paper business forms, we are working to strengthen our ability to propose solutions for improving the efficiency and effectiveness of customer communication efforts and business processes. Through these efforts we hope to invigorate the market and create new demand.

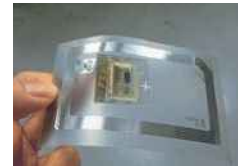
In the fiscal year under review, we placed particular emphasis on proposals that employed universal design concepts and techniques to improve the ability of business forms to properly communicate information. We also released new, highly competitive mailing products and delivery slips with the aim of capturing a larger share of the market. In regard to digital media, we advanced operations in a diverse range of fields. These included the provision of cross-media solutions, which effectively combine both paper and digital media and link the Internet to DPS services, an area in which Toppan Forms is particularly strong. In addition, we provided IC card and radio frequency identification (RFID) solutions that combine media forms with IT equipment and systems. Our operations in each of these areas are steeped in the strengths refined through our printing business. Business ventures involving the Company's cloud e-money payment platform, which utilizes near field communication (NFC) technologies, are being advanced through cooperation with allied e-money providers, of which there are now two, and by encouraging major electronics stores and other shops to use this system. We are also introducing point management systems for this platform and conducting Internet marketing geared toward guiding e-money users to affiliated stores. In these ways, we are steadily developing this platform into a new earnings base.

Overseas, we continue to develop our printing operations in the Chinese market, and are also advancing into unexplored ASEAN markets through subsidiaries in Singapore, Malaysia, and Thailand.

### Data Print Services Division

In the DPS Division, we strive to enhance our systems for accepting BPO orders. Toppan Forms' BPO services entail the Company taking responsibility for various customer business processes related to DPS services, including upstream processes such as planning, design, and developing marketing proposals, as well as downstream processes such as undeliverable mail processing, scanning, call center operation, and database management.

In the fiscal year under review, we saw a rise in demand for DPS and BPO services, with particularly strong demand coming from financial institutions. In order to respond to this demand, we are consolidating manufacturing bases in the Tokyo metropolitan and Osaka areas. These structural reforms are also expected to lead to cost reductions. Other cost reduction initiatives include thoroughly managing distribution costs and procuring paper from overseas. In these ways, we pursued improved profitability.



#### Printed electronic tags

The Company is involved in a printed electronic tag development project sponsored by the New Energy and Industrial Technology Development Organization (NEDO).



Ultra-high-frequency-compatible e-paper labels

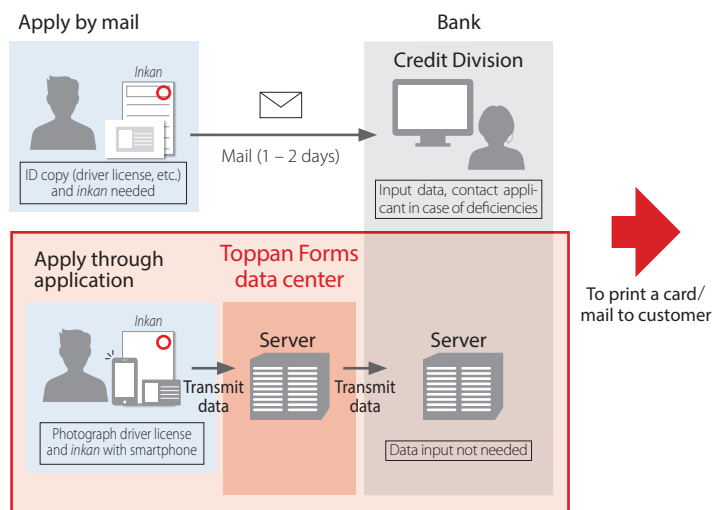
#### Apply for a Bank Account with a Smartphone Alone

#### Japan's First Electronic *Inkan* Recognition System

Toppan Forms' new *FastShot* service enables users to apply for a bank account using their smartphone alone. All they have to do is use their smartphone's camera function to take a picture containing both their driver license and the face of the *inkan* (Japanese stamp used in place of a signature) to be used for opening the account.

Users then send the picture of their license and *inkan* to Toppan Forms, which will automatically fill in a PDF application form using this data, and send the form to the server of the specified bank after completion. In this manner, the application process using *FastShot* is very similar to the standard application process, but still greatly shortens the amount of time required for opening a bank account.

#### Operation Overview

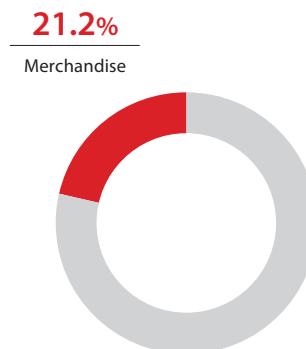


# Review of Operations

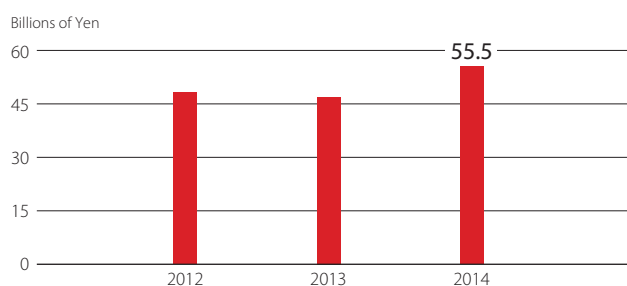
## Merchandise Segment

In the Merchandise segment, we conduct the *O-tascarry* business, where we sell office automation (OA) and PC-related products as well as stationery and office supplies, and manage an online sales system through which these can be purchased. In this segment, we also develop, manufacture, and sell form processors, which can process forms in various formats according to customer needs, and other office equipment to help rationalize the business processes of customers. In fiscal 2014, sales in the Merchandise segment increased 18.2% year on year, to ¥55.5 billion, and accounted for 21.2% of consolidated net sales.

Breakdown of Net Sales



Sales by Segment

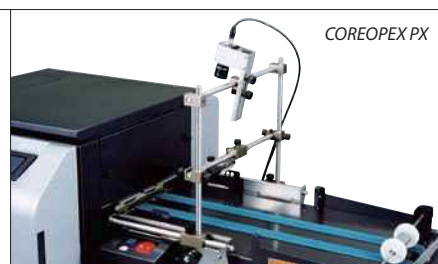


## Products/Services

The Merchandise segment provides a variety of services, from providing office supplies to the design, manufacture, sale, and maintenance of peripherals and related devices as an adjunct to the Business Forms Division.

### Main Products/Services

- Office Supplies**
  - IT-related equipment supplies
  - Paper products
- Equipment and Services**
  - Form processors
  - System machines



## Initiatives in Fiscal 2014

In the Merchandise segment, we focused on improving our marketing and procurement capabilities, while also bolstering our lineup of office supplies. At the same time, we worked to address latent demand by strengthening the comprehensive order system offered through the Company's *O-tascarry* online sales system and starting up a new e-commerce site targeting small to medium-sized companies.

In regard to office supplies, we encouraged customers to order all their office supplies through the above-mentioned *O-tascarry* system and promoted sales of sales promotion novelty items as well as the Company's high-performance refrigerants, which were marketed to the transportation industry both in Japan and overseas. However, sales were down due to lower selling prices of office supplies and a decline in toner sales.

For equipment and services, there was a decline in demand due to the trend of companies outsourcing mailing functions. However, we were successful in taking advantage of the rising office equipment demand in the transportation industry, a result of the expansion of the mail order market, and sales promotions for card issuance systems targeting retailers and medical institutions also produced results, leading to higher sales. Furthermore, J-SCube Inc., a company acquired as part of BPO-related operations, also contributed to improved equipment revenues through sales of its scanners and data input devices.

Overall, profitability improved on the operating income level due to the benefits of sales promotions for high-value-added products as well as lower procurement costs and the reworking of low-margin orders.



# Corporate Governance

Toppan Forms places the establishment and maintenance of strong corporate governance systems, the systems through which all aspects of business operations are monitored and managed, among its top management priorities, as these systems are essential in improving both corporate value and shareholder value.

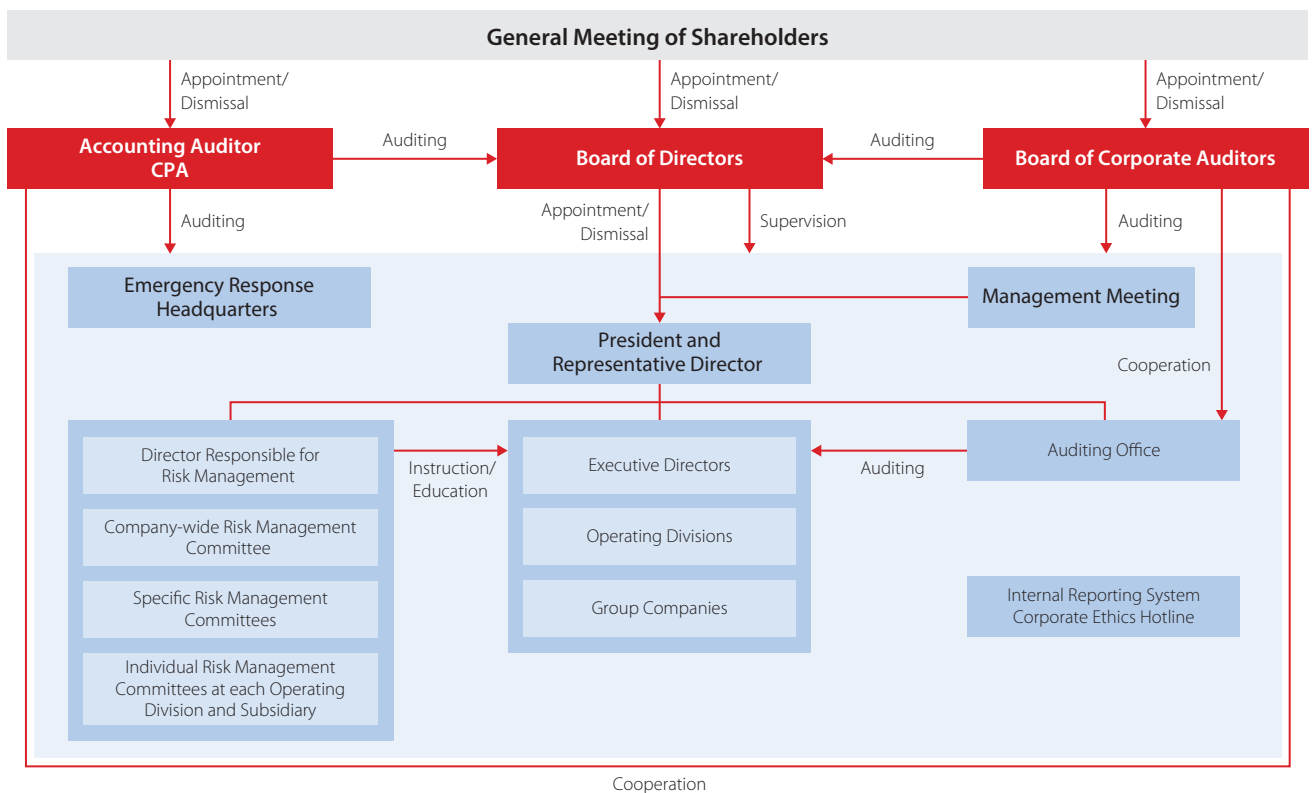
## Corporate Governance Systems

The Company has established the Board of Corporate Auditors. While the Company has no outside directors, 3 of the 4 corporate auditors on the Board of Corporate Auditors are outside corporate auditors. Of these outside corporate auditors, 1 is full time. Guided by the in-house corporate auditor and this full-time outside corporate auditor, the corporate auditors conduct thorough auditing activities, including attending meetings of the Board of Directors as well as other important meetings, auditing principal business sites and subsidiaries, and closely monitoring the administrative execution of directors. This system allows for the same degree of managerial monitoring as would be possible were outside directors present.

The Board of Directors consists of 15 directors, and it makes important decisions relating to the Group's operations and also supervises administrative execution.

To ensure that directors can conduct their duties in an efficient manner, meetings of the Board of Directors are held on a monthly basis and on an extraordinary basis as necessary. Further, meetings of the Management Meeting, which deliberates on important management issues, and the Executive Committee, which discusses and shares information regarding business strategies, are held periodically. Through this system, the Company works to ensure that management decisions are made in an expedient manner and business operations are conducted efficiently.

## Corporate Governance System



## Compliance

In order to better incorporate compliance and corporate ethics into our business operations, the Company has developed the "Toppan Forms Group Action Guidelines," and it is working to disseminate knowledge and implementation of these guidelines throughout the Company.

With the goal of cultivating a compliance-based mindset in daily business operations, the Legal Department is spearheading many compliance-related training and education programs. Further, compliance promotion representatives and compliance promotion leaders have been posted at each business site to help support employees in practicing good compliance. We are also educating overseas Group companies with regard to the Toppan Forms Group Action Guidelines in order to further the dissemination of these guidelines.

## Risk Management

The Company has developed a comprehensive risk management system. Risk management is primarily handled by five specific risk management committees that work under the Company-wide Risk Management Committee, which is chaired by the director responsible for risk management, to manage major risks throughout the Group. These committees are the Company-wide Information Security Committee, the BCM Promotion Committee, the Quality Committee, the Environmental Committee, and the Compliance Committee. Additionally, individual risk management committees have been established for each operating division and subsidiary. These organizations work together in conducting risk management activities.

Further, the Company has developed business continuity management systems (BCMSs) in order to ensure that it can quickly resume and continue operations in the event that a major disaster occurs. In 2009, we developed a business continuity plan (BCP). Toppan Forms was the first company in Japan's printing industry to do so. The Company has currently developed BCPs for 18 of its operating sites, which include office buildings and factories located throughout Japan.

## Information Security

The Data Print Services (DPS) business is one of the Company's core businesses. In this business, we are entrusted with sensitive information, including personal information, by our customers. We therefore realize that proper information management is not only necessary in order to maintain the trust of our customers, but also an important element of our responsibility toward society.

The Company has established the "Basic Principles for Information Security" and the "Personal Information Protection Policy." Moreover, we have developed the "Information Security Guideline" with the aim of reconciling the differing levels of information security awareness between different Group companies and operating divisions, and we are subsequently developing a uniform information security level throughout the Group. Through these efforts, we are developing information security systems that are best suited to Toppan Forms, the industry's leading company. We are also actively acquiring certifications from external organizations. Currently, three Group companies have received ISO 27001 certification, while 12 Group companies have received PrivacyMark certification.

### Board of Directors and Corporate Auditors

As of June 27, 2014

#### President and CEO

Shu Sakurai

#### Vice President

Yukio Maeda

#### Senior Managing Directors

Toshiro Masuda

Shigetaka Mori

#### Managing Directors

Akira Kameyama

Kenichi Fukushima

Kouichi Sakata

#### Directors

Naoki Adachi

Toshiaki Kaneko

Mitsuyuki Hamada

Hiroshi Ito

Satoshi Uchida

Keitaro Fukushima

Meiyo Oka

Yasuhiro Okada

#### Auditor

Kyouichi Hori (*fulltime*)

#### Outside Auditors

Kiyoshi Otsuka (*fulltime*)

Noriaki Kinoshita

Kunio Sakuma

# Consolidated Six-Year Financial Summary

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen					Thousands of U.S. dollars*1	
	2009	2010	2011	2012	2013	2014	2014
<b>For the year:</b>							
Net sales	¥235,895	¥231,617	¥224,305	¥227,049	¥243,799	<b>¥261,411</b>	<b>\$2,539,943</b>
Operating income	15,687	12,997	10,308	10,908	11,887	<b>12,270</b>	<b>119,219</b>
Income before income taxes and minority interests	15,069	12,898	9,482	10,511	11,676	<b>12,047</b>	<b>117,050</b>
Net income	8,791	7,512	5,030	5,590	7,109	<b>7,322</b>	<b>71,136</b>
Depreciation and amortization	8,561	8,904	8,512	8,566	7,470	<b>8,375</b>	<b>81,371</b>
Capital expenditure	9,619	10,275	11,261	5,596	12,998	<b>10,317</b>	<b>100,246</b>
R&D expenditure	2,697	2,258	2,413	2,269	2,075	<b>1,928</b>	<b>18,730</b>
<b>At year-end:</b>							
Total assets	¥185,636	¥187,094	¥186,576	¥190,550	¥200,510	<b>¥208,005</b>	<b>\$2,021,032</b>
Total shareholders' equity	133,894	138,631	140,886	143,701	150,264	<b>155,308</b>	<b>1,509,017</b>
Number of shares outstanding (thousands)	110,997	110,997	110,997	110,997	110,997	<b>110,997</b>	
Number of employees	7,357	7,529	7,598	7,715	7,827	<b>11,429</b>	
<b>Cash flows:</b>							
Net cash provided by operating activities	¥15,685	¥14,520	¥17,427	¥11,670	¥17,183	<b>¥ 13,882</b>	<b>\$ 134,880</b>
Net cash used in investing activities	(10,110)	(9,783)	(12,504)	(5,898)	(8,822)	<b>(15,927)</b>	<b>(154,745)</b>
Net cash used in financing activities	(3,488)	(3,768)	(3,575)	(3,242)	(2,950)	<b>(2,675)</b>	<b>(25,992)</b>
Cash and cash equivalents at end of year	31,888	32,859	34,120	36,610	42,205	<b>37,681</b>	<b>366,121</b>

Per share data*2:	Yen					U.S. dollars*1	
	2009	2010	2011	2012	2013	2014	2014
Net income:							
Basic	¥ 79.20	¥ 67.68	¥ 45.32	¥ 50.37	¥ 64.05	<b>¥ 65.96</b>	<b>\$ 0.64</b>
Diluted	—	—	—	—	—	—	—
Cash dividends	25.00	25.00	25.00	25.00	25.00	<b>25.00</b>	<b>0.24</b>
Shareholders' equity	1,199.04	1,245.62	1,263.23	1,289.67	1,348.07	<b>1,393.46</b>	<b>13.54</b>

Ratios:	Percent					
	2009	2010	2011	2012	2013	2014
Equity ratio	71.7%	73.9%	75.2%	75.1%	74.6%	<b>74.4%</b>
Return on net sales	3.7	3.2	2.2	2.5	2.9	<b>2.8</b>
Return on assets	4.7	4.0	2.7	2.9	3.5	<b>3.5</b>
Return on shareholders' equity	6.7	5.5	3.6	3.9	4.9	<b>4.8</b>

\*1 U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥102.92 = U.S.\$1, as at March 31, 2014.

\*2 The computations of net income per share and shareholders' equity per share are based on the weighted-average number of common stock outstanding during each year. Treasury stocks held during each year are excluded. Cash dividends per share represent the actual amounts applicable to the earnings of the respective years.

# Financial Review

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

## Operating Environment

In fiscal 2014, ended March 31, 2014, there was a recovery in demand in certain sectors of the business form market. Regardless, the overall market presented a harsh operating environment due to the continuation of widespread corporate cost reduction initiatives, selling price declines due to intensified cost competition, and the advancement of information and network technologies. Under these conditions, the Group advanced growth strategies and strengthened its operating foundation in accordance with its basic strategy of transforming into a high-value-added company.

As part of growth strategies, we worked to expand our BPO operations by establishing new bases and acquiring related companies. In addition, the Company pursued the development of new business and services in the information communication technologies (ICT) field, and pursued expansion in the Merchandise segment by developing and promoting sales of new products and exploring new markets. Overseas, operations were advanced in the Chinese market through coordination with ZHEJIANG MATSUOKA PRINTING CO., LTD., with which the Company has formed a business and capital alliance, while business development in ASEAN markets was conducted in collaboration with overseas Group companies.

In strengthening its operating foundation, the Company worked to improve profitability by consolidating manufacturing bases, boosting productivity, lowering material expenses, and thoroughly cutting manufacturing costs.

## Income and Expenses

In fiscal 2014, consolidated net sales increased 7.2% year on year, to ¥261.4 billion (\$2,540 million).

Looking at segment sales, the Printing Business segment saw a 4.6% year-on-year increase in sales, to ¥205.9 billion (\$2,001 million). In this segment, sales in the Business Forms Division were up 3.2%, to ¥101.9 billion (\$990 million). This was largely due to our efforts to conduct proposals that employ universal design concepts and techniques to improve the ability of business forms to properly communicate information and to develop and provide proposals for

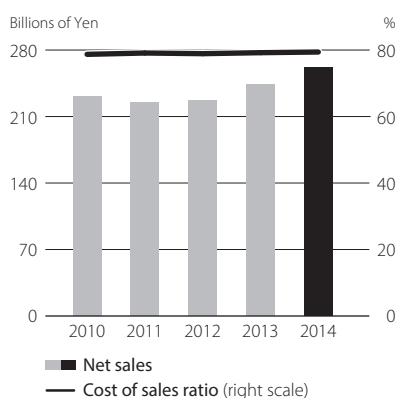
batch orders transportation and delivery slips as well as other printed materials that relate to procurement processes. Sales increases were also achieved due to efforts to address demand for transportation and delivery slip revisions and related printed materials, which was a product of corporate system changes; demand for digitalization of transportation and delivery slips and other documents; and the demand resulting from the consumption tax hike. These factors offset the impacts of lower selling prices that resulted from thorough cost cutting by companies and the reduced demand following increased digitalization.

In the Data Print Services (DPS) Division, sales rose 6.0%, to ¥104.0 billion (\$1,011 million). This increase can be partially attributed to our efforts to retain customers by conducting sales promotions through direct mailing among other means. We also worked to capture demand for batch outsourcing of printing duties. Other contributing factors included increased outsourcing contracts for BPO services, which included the rise resulting from the conversion of J-SCube into a subsidiary. The benefits of these factors outweighed the impacts of reduced demand for notifications following the spread of digitalization and lower selling prices stemming from simpler orders from customers and intensified competition.

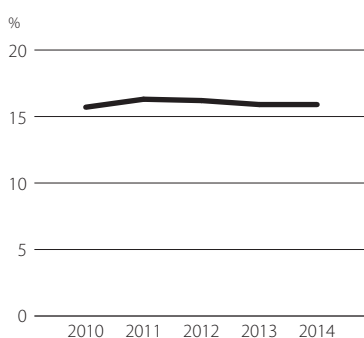
In the Merchandise segment, sales were up 18.2%, to ¥55.5 billion (\$539 million). Office supply sales were down. Customers were encouraged to place batch orders for office supplies through the Company's *O-tascarry* online sales system and sales promotions were conducted for sales promotion novelty items as well as the Company's high-performance refrigerants, which were marketed to the transportation industry both in Japan and overseas. However, lower selling prices of office supplies and a decline in toner sales drove overall sales down.

Conversely, sales of equipment and services were up. The Company worked to address the rising office equipment demand in the transportation industry, a result of the expansion of the mail order market, and sales promotions for card issuance systems targeting retailers and medical institutions also produced results. In addition, J-SCube contributed to improved equipment revenues through sales of its scan-

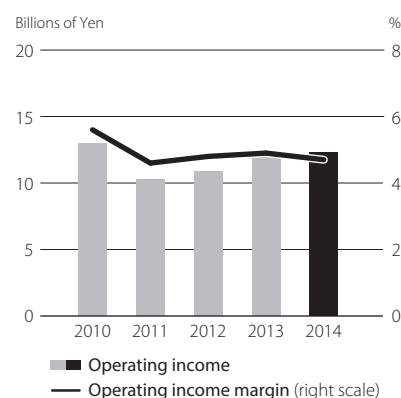
Net Sales and Cost of Sales Ratio



SG&A Expenses Ratio



Operating Income and Operating Income Margin



ners and data input devices. These factors offset the decline in demand due to the trend of companies outsourcing mailing functions, leading to the rise in sales.

Cost of sales rose 7.6% year on year, to ¥207.6 billion (\$2,017 million), following higher sales, and the cost of sales ratio increased 0.2 percentage point, to 79.4%. As a result, gross profit increased 6.0%, to ¥53.8 billion (\$522 million).

Selling, general and administrative (SG&A) expenses rose 6.8%, to ¥41.5 billion (\$403 million). The SG&A expenses ratio was unchanged from last year at 15.9%. The factors mentioned above resulted in a 3.2% year-on-year increase in operating income, to ¥12.3 billion (\$119 million). However, the operating income margin declined 0.2 percentage point, to 4.7%.

The balance of other income and expenses in fiscal 2014 was a negative ¥0.2 billion (\$2 million), compared with a negative ¥0.2 billion in fiscal 2013. Nevertheless, income before income taxes and minority interests grew 3.2%, to ¥12.0 billion (\$117 million), and net income was up 3.0%, to ¥7.3 billion (\$71 million).

Net income per share was ¥65.96 (\$0.64), which was higher than the ¥64.05 recorded in the previous fiscal year. Return on shareholders' equity (ROE) declined from 4.9% in the previous fiscal year to 4.8%, and return on assets (ROA) was unchanged from last year at 3.5%.

### Dividend Policy

Toppan Forms encourages the medium- and long-term holding of Company stock by striving to maintain a consistent level of dividends while also taking into account operating performance and the dividend payout ratio. In fiscal 2014, the amount for year-end dividends was ¥25.00 per share (\$0.24), while the consolidated dividend payout ratio was 37.9%.

### Depreciation and Amortization / Capital Expenditure

Depreciation and amortization was ¥8.4 billion (\$81 million), up ¥0.9 billion year on year. Capital expenditure, primarily directed toward production facilities, decreased ¥2.7 billion year on year, to ¥10.3 billion (\$100 million).

### Financial Position

At fiscal 2014 year-end, total current assets stood at ¥106.0 billion (\$1,030 million), an increase of ¥3.6 billion compared with the previous fiscal year-end. Total current liabilities rose ¥1.7 billion, to ¥48.7 billion (\$473 million). As a result, working capital decreased ¥0.8 billion, to ¥57.3 billion (\$557 million), while the current ratio was unchanged at 217.8%.

Total net assets at the end of fiscal 2014 stood at ¥155.3 billion (\$1,509 million), an increase of ¥5.0 billion compared with the previous fiscal year-end. This rise was mainly attributable to an increase in retained earnings. Total assets amounted to ¥208.0 billion (\$2,021 million) at the end of the fiscal year, a ¥7.5 billion increase compared with the close of fiscal 2013. Consequently, the equity ratio decreased from 74.6% at the end of the previous fiscal year to 74.4%.

### Cash Flows

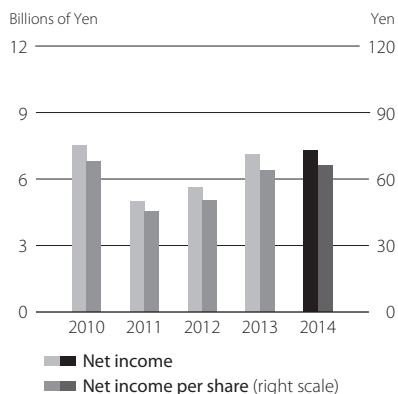
Net cash provided by operating activities during fiscal 2014 totaled ¥13.9 billion (\$135 million), compared with ¥17.2 billion in the previous year. Major inflows included income before income taxes and minority interests of ¥12.0 billion (\$117 million), depreciation and amortization of ¥8.4 billion (\$81 million), and increase in notes and accounts payable-trade of ¥2.3 billion (\$23 million). Major outflows included increase in notes and accounts receivable-trade of ¥4.3 billion (\$42 million) and income taxes paid of ¥4.9 billion (\$47 million).

Net cash used in investing activities amounted to ¥15.9 billion (\$155 million), compared with ¥8.8 billion in the previous year. Major inflows included proceeds from sales and redemption of investment securities of ¥2.1 billion (\$21 million). Major outflows included purchase of property, plant and equipment of ¥13.2 billion (\$129 million) and purchase of investment securities of ¥2.5 billion (\$24 million).

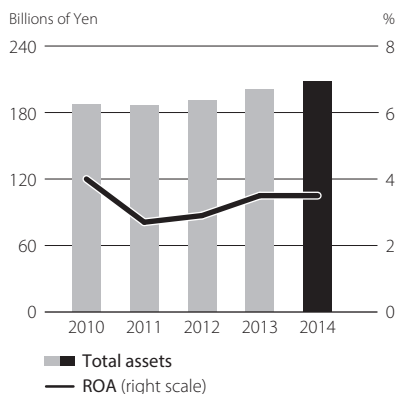
Net cash used in financing activities totaled ¥2.7 billion (\$26 million), compared with ¥3.0 billion in the previous year. Major outflows included cash dividends paid of ¥2.8 billion (\$27 million).

Cash and cash equivalents at the end of the fiscal year totaled ¥37.7 billion (\$366 million), a ¥4.5 billion decrease compared with the previous fiscal year-end.

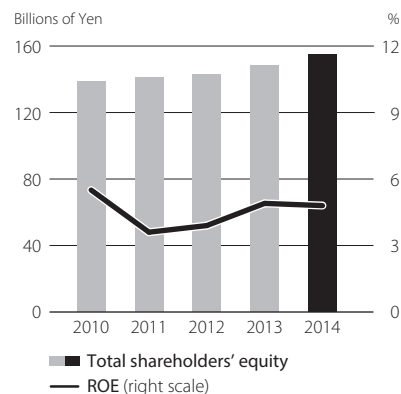
### Net Income and Net Income Per Share



### Total Assets and ROA



### Total Shareholders' Equity and ROE



# Consolidated Balance Sheets

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
<b>Assets:</b>			
Current assets -			
Cash and deposits (Note 10)	¥ 39,820	¥ 37,734	\$ 366,636
Notes and accounts receivable—trade (Note 6)	42,348	49,626	482,178
Short-term investment securities (Notes 12 and 13)	3,638	1,655	16,077
Merchandise and finished goods	8,058	8,010	77,828
Work in process	974	1,089	10,582
Raw materials and supplies	2,136	2,398	23,302
Prepaid expenses	1,175	1,457	14,157
Deferred tax assets (Note 17)	2,322	2,268	22,039
Other current assets	2,199	1,992	19,356
Allowance for doubtful accounts	(240)	(206)	(2,004)
Total current assets	102,430	106,023	1,030,151
Noncurrent assets -			
Property, plant and equipment:			
Buildings and structures	58,649	62,392	606,215
Accumulated depreciation	(27,186)	(27,696)	(269,107)
Buildings and structures, net	31,463	34,696	337,108
Machinery, equipment and vehicles	71,939	74,020	719,196
Accumulated depreciation	(61,362)	(63,937)	(621,226)
Machinery, equipment and vehicles, net	10,577	10,083	97,970
Tools, furniture and fixtures	11,559	13,921	135,256
Accumulated depreciation	(8,943)	(10,182)	(98,929)
Tools, furniture and fixtures, net	2,616	3,739	36,327
Land	22,630	22,497	218,584
Lease assets	317	393	3,818
Accumulated depreciation	(292)	(366)	(3,555)
Lease assets, net	25	27	263
Construction in progress	3,906	2,169	21,077
Total property, plant and equipment	71,217	73,211	711,329
Intangible assets:			
Goodwill	—	405	3,932
Other	3,958	4,859	47,216
Total intangible assets	3,958	5,264	51,148
Investments and other assets:			
Investment securities (Notes 6 and 13)	17,125	17,342	168,503
Long-term loans receivable	209	226	2,197
Long-term prepaid expenses	272	210	2,036
Lease and guarantee deposits	1,722	1,690	16,424
Insurance funds	2,141	2,215	21,522
Deferred tax assets (Note 17)	1,242	1,379	13,397
Other assets	617	808	7,850
Allowance for doubtful accounts	(423)	(363)	(3,525)
Total investments and other assets	22,905	23,507	228,404
Total noncurrent assets	98,080	101,982	990,881
Total assets	¥200,510	¥208,005	\$2,021,032

The accompanying notes are an integral part of these statements.

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
<b>Liabilities:</b>			
Current liabilities -			
Notes and accounts payable–trade (Note 5)	¥ 20,420	¥ 22,195	\$ 215,656
Electronically recorded obligations–operating (Note 5)	5,323	6,874	66,788
Short-term loans payable (Note 24)	283	317	3,081
Lease obligations (Note 24)	22	23	225
Accrued expenses	3,930	5,204	50,561
Income taxes payable	2,006	1,755	17,053
Accrued consumption taxes	483	609	5,912
Provision for bonuses	4,365	4,983	48,413
Provision for directors' bonuses	57	66	642
Asset retirement obligations (Note 19)	208	79	770
Notes payable–facilities (Note 5)	918	1,144	11,117
Electronically recorded obligations–non-operating (Note 5)	3,868	1,177	11,438
Other current liabilities	5,146	4,252	41,312
<b>Total current liabilities</b>	<b>47,029</b>	<b>48,678</b>	<b>472,968</b>
Noncurrent liabilities -			
Lease obligations (Note 24)	29	35	339
Deferred tax liabilities (Note 17)	115	131	1,276
Provision for retirement benefits (Note 15)	2,505	–	–
Net defined benefit liability (Note 15)	–	3,080	29,929
Provision for directors' retirement benefits	157	246	2,389
Asset retirement obligations (Note 19)	411	421	4,089
Other	–	106	1,025
<b>Total noncurrent liabilities</b>	<b>3,217</b>	<b>4,019</b>	<b>39,047</b>
<b>Total liabilities</b>	<b>50,246</b>	<b>52,697</b>	<b>512,015</b>
<b>Net assets:</b>			
Shareholders' equity -			
Capital stock			
Authorized: 400,000,000 shares			
Issued: 115,000,000 shares	11,750	11,750	114,166
Capital surplus	9,270	9,270	90,070
Retained earnings	131,932	136,479	1,326,064
Treasury stock (Note 9) (2013: 4,003,441 shares, 2014: 4,003,441 shares)	(4,917)	(4,917)	(47,770)
<b>Total shareholders' equity</b>	<b>148,035</b>	<b>152,582</b>	<b>1,482,530</b>
Accumulated other comprehensive income -			
Valuation difference on available-for-sale securities	1,971	1,973	19,170
Foreign currency translation adjustment	(375)	472	4,583
Remeasurements of defined benefit plans	–	(358)	(3,474)
<b>Total accumulated other comprehensive income</b>	<b>1,596</b>	<b>2,087</b>	<b>20,279</b>
Subscription rights to shares -	13	–	–
Minority interests -	620	639	6,208
<b>Total net assets</b>	<b>150,264</b>	<b>155,308</b>	<b>1,509,017</b>
<b>Total liabilities and net assets</b>	<b>¥200,510</b>	<b>¥208,005</b>	<b>\$2,021,032</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Income

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
<b>Net sales</b> (Note 20)	¥243,799	<b>¥261,411</b>	<b>\$2,539,943</b>
<b>Cost of sales</b> (Note 7)	193,047	<b>207,636</b>	<b>2,017,452</b>
Gross profit	50,752	<b>53,775</b>	<b>522,491</b>
<b>Selling, general and administrative expenses</b> (Note 7)	38,865	<b>41,505</b>	<b>403,272</b>
Operating income	11,887	<b>12,270</b>	<b>119,219</b>
<b>Non-operating income:</b>			
Interest income	150	<b>149</b>	<b>1,449</b>
Dividends income	230	<b>354</b>	<b>3,444</b>
Equity in earnings of affiliates	–	<b>82</b>	<b>796</b>
Foreign exchange gains	22	<b>11</b>	<b>110</b>
Subsidy income (Note 5)	51	<b>324</b>	<b>3,152</b>
House rent income	85	<b>103</b>	<b>1,002</b>
Insurance return	111	<b>25</b>	<b>237</b>
Other (Note 5)	199	<b>320</b>	<b>3,109</b>
	848	<b>1,368</b>	<b>13,299</b>
<b>Non-operating expenses:</b>			
Interest expense	8	<b>6</b>	<b>55</b>
Equity in losses of affiliates	111	–	–
Loss on insurance cancellation	118	<b>53</b>	<b>517</b>
Rent expenses	68	<b>68</b>	<b>665</b>
Provision of allowance for doubtful accounts	14	<b>7</b>	<b>72</b>
Other	122	<b>194</b>	<b>1,887</b>
	441	<b>328</b>	<b>3,196</b>
Ordinary income	12,294	<b>13,310</b>	<b>129,322</b>
<b>Extraordinary income:</b>			
Gain on change in equity	–	<b>109</b>	<b>1,058</b>
Gain on sales of investment securities	197	<b>0</b>	<b>0</b>
Gain on reversal of subscription rights to shares (Note 16)	21	<b>13</b>	<b>128</b>
Other (Note 5)	3	<b>20</b>	<b>189</b>
	221	<b>142</b>	<b>1,375</b>
<b>Extraordinary loss:</b>			
Loss on sales of noncurrent assets (Note 7)	42	<b>33</b>	<b>324</b>
Impairment loss (Note 7)	73	–	–
Loss on retirement of noncurrent assets (Note 7)	293	<b>515</b>	<b>4,999</b>
Loss on valuation of investment securities	103	<b>0</b>	<b>0</b>
Office transfer expenses (Note 7)	106	<b>670</b>	<b>6,506</b>
Loss on disposal of noncurrent assets (Note 7)	152	<b>136</b>	<b>1,322</b>
Other	70	<b>51</b>	<b>496</b>
	839	<b>1,405</b>	<b>13,647</b>
Income before income taxes and minority interests	11,676	<b>12,047</b>	<b>117,050</b>
<b>Income taxes</b> (Note 17):			
- Current	4,505	<b>4,386</b>	<b>42,617</b>
- Deferred	(31)	<b>347</b>	<b>3,371</b>
	4,474	<b>4,733</b>	<b>45,988</b>
<b>Income before minority interests</b>	7,202	<b>7,314</b>	<b>71,062</b>
<b>Minority interests in income (loss)</b>	93	<b>(8)</b>	<b>(74)</b>
<b>Net income</b>	¥ 7,109	<b>¥ 7,322</b>	<b>\$ 71,136</b>

The accompanying notes are an integral part of these statements.



# Consolidated Statements of Comprehensive Income

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Income before minority interests	¥7,202	¥7,314	\$71,062
Other comprehensive income:			
Valuation difference on available-for-sale securities	1,691	2	20
Foreign currency translation adjustment	433	894	8,686
Share of other comprehensive income of associates accounted for using the equity method	30	(47)	(461)
Total other comprehensive income (Note 8)	2,154	849	8,245
Comprehensive income	9,356	8,163	79,307
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	9,258	8,170	79,380
Comprehensive income attributable to minority interests	98	(7)	(73)

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Statements of changes in net assets			
Shareholders' equity:			
Capital stock -			
Balance at the end of previous period	¥ 11,750	¥ 11,750	\$ 114,166
Changes of items during the period	-	-	-
Total changes of items during the period	-	-	-
Balance at the end of current period	11,750	11,750	114,166
Capital surplus -			
Legal capital surplus			
Balance at the end of previous period	9,270	9,270	90,070
Changes of items during the period	-	-	-
Total changes of items during the period	-	-	-
Balance at the end of current period	9,270	9,270	90,070
Retained earnings -			
Balance at the end of previous period	127,597	131,932	1,281,890
Changes of items during the period	-	-	-
Dividends from surplus	(2,775)	(2,775)	(26,962)
Net income	7,109	7,322	71,136
Total changes of items during the period	4,334	4,547	44,174
Balance at the end of current period	131,932	136,479	1,326,064
Treasury stock -			
Balance at the end of previous period	(4,916)	(4,917)	(47,770)
Changes of items during the period	-	-	-
Purchase of treasury stock	(0)	-	-
Total changes of items during the period	(0)	-	-
Balance at the end of current period	(4,917)	(4,917)	(47,770)
Total shareholders' equity -			
Balance at the end of previous period	143,701	148,035	1,438,356
Changes of items during the period	-	-	-
Dividends from surplus	(2,775)	(2,775)	(26,962)
Net income	7,109	7,322	71,136
Purchase of treasury stock	(0)	-	-
Total changes of items during the period	4,334	4,547	44,174
Balance at the end of current period	148,035	152,582	1,482,530
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities -			
Balance at the end of previous period	285	1,971	19,151
Changes of items during the period	-	-	-
Net changes of items other than shareholders' equity	1,686	2	19
Total changes of items during the period	1,686	2	19
Balance at the end of current period	1,971	1,973	19,170
Foreign currency translation adjustment:			
Balance at the end of previous period	(838)	(375)	(3,642)
Changes of items during the period	-	-	-
Net changes of items other than shareholders' equity	463	847	8,225
Total changes of items during the period	463	847	8,225
Balance at the end of current period	(375)	472	4,583
Remeasurements of defined benefit plans:			
Balance at the end of previous period	-	-	-
Changes of items during the period	-	-	-
Net changes of items other than shareholders' equity	-	(358)	(3,474)
Total changes of items during the period	-	(358)	(3,474)
Balance at the end of current period	-	(358)	(3,474)
Total accumulated other comprehensive income:			
Balance at the end of previous period	(553)	1,596	15,509
Changes of items during the period	-	-	-
Net changes of items other than shareholders' equity	2,149	491	4,770
Total changes of items during the period	2,149	491	4,770
Balance at the end of current period	1,596	2,087	20,279
Subscription rights to shares:			
Balance at the end of previous period	34	13	128
Changes of items during the period	-	-	-
Net changes of items other than shareholders' equity	(21)	(13)	(128)
Total changes of items during the period	(21)	(13)	(128)
Balance at the end of current period	13	-	-
Minority interests:			
Balance at the end of previous period	534	620	6,021
Changes of items during the period	-	-	-
Net changes of items other than shareholders' equity	86	19	187
Total changes of items during the period	86	19	187
Balance at the end of current period	620	639	6,208
Total net assets:			
Balance at the end of previous period	143,716	150,264	1,460,014
Changes of items during the period	-	-	-
Dividends from surplus	(2,775)	(2,775)	(26,962)
Net income	7,109	7,322	71,136
Purchase of treasury stock	(0)	-	-
Net changes of items during the period	2,214	497	4,829
Total changes of items during the period	6,548	5,044	49,003
Balance at the end of current period	¥150,264	¥155,308	\$1,509,017

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
<b>Net cash provided by operating activities:</b>			
Income before income taxes and minority interests	¥11,676	<b>¥12,047</b>	<b>\$117,050</b>
Depreciation and amortization	7,470	<b>8,375</b>	<b>81,371</b>
Impairment loss	73	–	–
Amortization of goodwill	–	<b>101</b>	<b>983</b>
Loss on retirement of noncurrent assets	293	<b>515</b>	<b>4,999</b>
Loss on sales of noncurrent assets	42	<b>29</b>	<b>285</b>
Loss on valuation of investment securities	103	<b>0</b>	<b>0</b>
Loss (gain) on sales of investment securities	(193)	<b>0</b>	<b>4</b>
Increase (decrease) in allowance for doubtful accounts	41	<b>(145)</b>	<b>(1,409)</b>
Decrease in provision for retirement benefits	(155)	<b>(2,796)</b>	<b>(27,165)</b>
Increase in net defined benefit liability	–	<b>2,510</b>	<b>24,383</b>
Increase in provision for directors' bonuses	15	<b>9</b>	<b>85</b>
Increase in provision for bonuses	249	<b>287</b>	<b>2,787</b>
Interest and dividends income	(380)	<b>(503)</b>	<b>(4,893)</b>
Interest expense	8	<b>6</b>	<b>55</b>
Gain on maturity of insurance contract	(111)	<b>(24)</b>	<b>(237)</b>
Equity in (earnings) losses of affiliates	111	<b>(82)</b>	<b>(796)</b>
Decrease (increase) in notes and accounts receivable–trade	5,035	<b>(4,311)</b>	<b>(41,890)</b>
Decrease (increase) in inventories	(80)	<b>104</b>	<b>1,013</b>
Increase (decrease) in notes and accounts payable–trade	(1,900)	<b>2,348</b>	<b>22,821</b>
Increase (decrease) in accrued consumption taxes	(744)	<b>206</b>	<b>2,005</b>
Other, net	(62)	<b>(422)</b>	<b>(4,100)</b>
Subtotal	21,491	<b>18,254</b>	<b>177,351</b>
Interest and dividends received	376	<b>494</b>	<b>4,808</b>
Interest expense paid	(7)	<b>(6)</b>	<b>(56)</b>
Income taxes paid	(4,677)	<b>(4,860)</b>	<b>(47,223)</b>
Net cash provided by operating activities	17,183	<b>13,882</b>	<b>134,880</b>
<b>Net cash used in investing activities:</b>			
Purchase of short-term investment securities	(800)	–	–
Payments into time deposits	(50)	<b>(53)</b>	<b>(515)</b>
Proceeds from withdrawal of time deposits	24	<b>50</b>	<b>486</b>
Purchase of property, plant and equipment	(6,797)	<b>(13,227)</b>	<b>(128,520)</b>
Proceeds from sales of property, plant and equipment	41	<b>179</b>	<b>1,744</b>
Purchase of investment securities	(3,396)	<b>(2,485)</b>	<b>(24,143)</b>
Proceeds from sales and redemption of investment securities	2,545	<b>2,112</b>	<b>20,519</b>
Purchase of stocks of subsidiaries and affiliates	(456)	–	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 10)	–	<b>(1,476)</b>	<b>(14,338)</b>
Other payments	(1,567)	<b>(2,275)</b>	<b>(22,107)</b>
Other proceeds	1,634	<b>1,248</b>	<b>12,129</b>
Net cash used in investing activities	(8,822)	<b>(15,927)</b>	<b>(154,745)</b>
<b>Net cash provided by (used in) financing activities:</b>			
Net decrease in short-term loans payable	(71)	<b>(15)</b>	<b>(147)</b>
Repayments of finance lease obligations	(40)	<b>(30)</b>	<b>(291)</b>
Repayments of long-terms loans payable	(51)	–	–
Cash dividends paid	(2,775)	<b>(2,775)</b>	<b>(26,962)</b>
Proceeds from share issuance to minority shareholders	–	<b>160</b>	<b>1,555</b>
Cash dividends paid to minority shareholders	(13)	<b>(15)</b>	<b>(147)</b>
Other, net	(0)	–	–
Net cash used in financing activities	(2,950)	<b>(2,675)</b>	<b>(25,992)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	184	<b>196</b>	<b>1,906</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	5,595	<b>(4,524)</b>	<b>(43,951)</b>
<b>Cash and cash equivalents at beginning of year</b>	36,610	<b>42,205</b>	<b>410,072</b>
<b>Cash and cash equivalents at end of year (Note 10)</b>	¥42,205	<b>¥37,681</b>	<b>\$366,121</b>

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 translated from the consolidated financial statements of TOPPAN FORMS CO., LTD. (the "Company") and its subsidiaries filed with the Director of the Kanto Local Finance Bureau in accordance with the Financial Instruments 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 Financial Reporting Standards.

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 ¥102.92= U.S.\$1, the approximate rate of exchange on March 31, 2014. 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.

In addition, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

## 2 Summary of Significant Accounting Policies

### (1) Consolidation -

(a) Consolidated subsidiaries:

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries (22 companies for the fiscal year ended March 31, 2014, and 21 companies for the fiscal year ended March 31, 2013). Significant subsidiaries are as follows:

- Toppan Forms Central Products Co., Ltd.
- Toppan Forms Tokai Co., Ltd.
- Toppan Forms Logistics and Services Co., Ltd.
- Toppan Forms Kansai Co., Ltd.
- Toppan Forms Nishinohon Co., Ltd.
- Toppan Forms (Sanyo) Co., Ltd.
- TOSCO CORPORATION
- Toppan Forms (Hong Kong) Ltd.
- Toppan Forms (S) Pte. Ltd.
- Toppan Forms Operation Co., Ltd.
- Techno Toppan Forms Co., Ltd.
- TF Payment Service Co., Ltd.
- J-SCube Inc.

As the Company acquired 100% of the issued shares of J-SCube Inc. in April 2013, it is included in the consolidated financial statements for the fiscal year ended March 31, 2014.

(b) Equity-method associates:

Investments in all associates (4 associates for the fiscal year ended March 31, 2014, and 7 associates for the fiscal year ended March 31, 2013), where shareholdings are more than 20% and where the Company has significant influence over operations, finance and management, are accounted for using the equity method. The associate with the most significant impact on the results of the Company is Data Products Toppan Forms Ltd.

Following the sale of shares in TF Mediate Co., Ltd., Deep Communication Engineering Co., Ltd. and Beijing Toppan Forms Printing Co., Ltd. in September 2013, these entities are not included in equity-method accounted associates for the fiscal year ended March 31, 2014.

(c) Period-end dates:

The period-end date of T.F. Company Ltd. and 8 of its subsidiaries is December 31. The consolidated financial statements incorporate the accounts of these companies with adjustments for significant transactions with the Company and consolidated subsidiaries arising during the period from January 1 to March 31.

### (2) Valuation methods for major assets -

(a) Securities:

Securities held by the Company and its consolidated subsidiaries are classified into two categories:

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.

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 of net assets at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost. In addition, subscriptions to investment funds (not affiliate) that are included in other investment securities are accounted for by the equity method based on the most recently available financial information.

(b) Derivatives:

All derivatives are stated at fair value, with changes in fair value being included in net income for the period in which they arise, except for derivatives that are designated as "hedging instruments".

(c) Inventories:

Merchandise (supplies), raw materials and supplies are stated at the lower of cost or net realizable value determined by using the first-in, first-out method. Merchandise (machinery), finished goods and work-in-process are stated at the lower of cost or net realizable value determined by using the specific identification method.

### (3) Depreciation and amortization of major assets -

(a) Property, plant and equipment (excluding lease assets):

The declining-balance method is principally adopted. The same standard as is stipulated in the Corporate Tax Law is applied to the useful economic lives and the residual values for accounting purposes. However, depreciation of buildings acquired by the Company and its domestic consolidated subsidiaries after April 1, 1998 is computed using the straight-line method in accordance with the Corporate Tax Law of Japan.

(b) Intangible assets (excluding lease assets):

Straight-line method is adopted. Software for in-house use is amortized based on the straight-line method over the expected useful economic life of 5 years.

(c) Lease assets:

Straight-line method is adopted over the lease term without residual value. In addition, finance lease transactions that do not transfer ownership prior to April 1, 2008 are accounted for in a manner similar to accounting for an ordinary rental transaction.

(d) Long-term prepaid expenses:

Straight-line method is adopted. The main amortization period is 5 years.

### (4) Basis of provision -

(a) Allowance for doubtful accounts:

Allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries is computed based on the past bad debt experience ratio for normal receivables, plus the estimated irrecoverable amount of doubtful receivables on an individual account basis.

(b) Provision for bonuses:

Provision for bonuses to employees is provided for in the amount of the expected bonus payments to be made at the end of the fiscal year.

(c) Provision for bonuses to directors and corporate auditors:

Provision for bonuses to directors and corporate auditors are provided for in the estimated amounts which the Company will pay. The amount to be paid will be approved at the shareholders' meeting held subsequent to the end of the fiscal year.

(d) Provision for directors' retirement benefits:

The Company and its domestic consolidated subsidiaries record accrued severance indemnities costs for directors and corporate auditors based on internal regulations. The Company only abolished the severance indemnities for directors and corporate auditors upon the closure of its ordinary general meeting of shareholders held on June 29, 2006. According to the abolishment, the accrued severance indemnities for directors and corporate auditors, which was calculated and fixed based on the Company's internal rules and the period from their admission up to June 29, 2006, is included in "Provision for directors' retirement benefits" on the consolidated balance sheet.

### (5) Accounting method for retirement benefits -

(a) Allocation of expected benefit payments:

When calculating retirement benefit obligation, the straight-line method is used to allocate expected benefit payments to the period until this fiscal year-end.

(b) Actuarial differences and prior service costs:

The unrecognized prior service costs are being amortized on a straight-line basis primarily over fifteen years (the average remaining service period of employees when the unrecognized prior service costs are incurred).

The unrecognized actuarial differences are being amortized on a straight-line basis over fifteen years (the average remaining service period of employees when the differences are incurred) from the period following that in which they occurred.

#### **(6) Recognition for construction contracts -**

The percentage-of-completion method is adopted if the outcome of the construction activity is deemed certain during the course of the activity, otherwise the completed-contract method is adopted.

The percentage of completion at the end of the fiscal year is estimated based on the percentage of the costs incurred to the estimated total cost.

#### **(7) Foreign currency translation -**

The translation of assets and liabilities denominated in foreign currency at the end of the fiscal year is made at the period-end exchange 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 statement of income. All assets, liabilities, income and expense accounts of foreign subsidiaries and affiliates are translated using the current exchange rates at the respective balance sheet dates. Foreign currency translation adjustments resulting from such procedures are recorded in the consolidated balance sheet as a separate component of net assets.

#### **(8) 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 included in net income 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 contracts and interest rate swap contracts. The related hedged items are trade accounts receivable and payable, and long-term debts.

The Company has a policy of utilizing the above hedging instruments in order to reduce the Company's exposure to the risk of foreign currency exchange rate fluctuations 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.

#### **(9) Amortization of goodwill -**

Goodwill is amortized equally over the relevant periods.

#### **(10) Cash and cash equivalents -**

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, those that are readily convertible to known amounts of cash and, thus, present an insignificant risk of changes in value.

#### **(11) Consumption tax -**

The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services is not included in revenue and cost or expense items, in the accompanying consolidated statement of income.

### **3 Accounting Changes**

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) were adopted effective March 31, 2014 (with the exception of the standards prescribed by Article 35 of "Accounting Standard for Retirement Benefits" and Article 67 of "Guidance on Accounting Standard for Retirement Benefits"). In accordance with these standards, the Company recorded an amount equivalent to the retirement benefit obligation less plan assets as net defined benefit liability. Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded under net defined benefit liability.

In accordance with the provision for transitional treatment stated in paragraph 37 of the Accounting Standard for Retirement Benefits, the value of remeasurements of defined benefit plans under accumulated other comprehensive income has been decreased to reflect the impact of this accounting change.

As a result, a net defined benefit liability of ¥3,080 million was recognized on March 31, 2014, and total accumulated other comprehensive income was reduced by ¥357 million.

Impacts on per share figures will be described in the relevant section.

### **4 Accounting Standards Issued But Not Yet Applied**

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012)

#### **(1) Overview -**

From the perspective of improving financial reporting and in consideration of international reporting trends, the standard prescribes revisions to the processes of accounting for unrecognized actuarial gains/(losses) and unrecognized prior service costs, as well as the processes of calculating and displaying projected benefit obligation and service costs.

#### **(2) Date of adoption -**

The Company adopted the accounting standard effective March 31, 2014. However, the change in the calculation method for projected benefit obligation and service costs will be applied effective April 1, 2014.

#### **(3) Impact of the adoption of the accounting standard -**

The impact on the Company's consolidated statements of income for the fiscal year ending March 31, 2015 will be minor.

### **5 Change in Presentation Methods**

#### **(1) Consolidated Balance Sheets -**

"Electronically recorded obligations—operating" included in "Notes and accounts payable—trade" of the "Current liabilities" section of the consolidated balance sheets for the fiscal year ended March 31, 2013 are stated as a separate account item in the consolidated balance sheets for the fiscal year ended March 31, 2014 due to an increase in their importance.

As a result, the value of "Notes and accounts payable—trade" of ¥25,743 million recorded under Current liabilities in the consolidated statements of Current liabilities for the fiscal year ended March 31, 2013, has been restated as "Notes and accounts payable—trade" of ¥20,420 million and "Electronically recorded obligations—operating" of ¥5,323 million.

"Electronically recorded obligations—non-operating" included in "Notes payable—facilities" of the "Current liabilities" section of the consolidated balance sheets for the fiscal year ended March 31, 2013 are stated as a separate

account item in the consolidated balance sheets for the fiscal year ended March 31, 2014 to better represent the Company's financial position.

As a result, the value of "Notes payable—facilities" of ¥4,786 million recorded under Current liabilities in the consolidated statements of Current liabilities for the fiscal year ended March 31, 2013, has been restated as "Notes payable—facilities" of ¥918 million and "Electronically recorded obligations—non-operating" of ¥3,868 million.

#### **(2) Consolidated Statements of Income -**

In non-operating income, "Subsidy income" was included in "other" in the fiscal year ended March 31, 2013. However, in the fiscal year ended March 31, 2014, "Subsidy income" has been presented separately because it accounted for more than one-tenth of other income. Figures for the fiscal year ended March 31, 2013, have been restated to reflect this change in method of presentation.

As a result, the value of "other" of ¥250 million recorded under non-operating income in the consolidated statements of income for the fiscal year ended March 31, 2013, has been restated as "subsidy income" of ¥51 million and "other" of ¥199 million.

In Extraordinary income, "Gain on sales of noncurrent assets" was displayed separately in the fiscal year ended March 31, 2013. However, in the fiscal year ended March 31, 2014, "Gain on sales of noncurrent assets" has been included

under "other" due to a decrease in their importance. Figures for the fiscal year ended March 31, 2013, have been restated to reflect this change in method of presentation. As a result, the value of "Gain on sales of noncurrent assets" of ¥0 million recorded under Extraordinary income in the consolidated statements of income for the fiscal year ended March 31, 2013, has been included under "other."

## 6 Notes to Consolidated Balance Sheets

### (1) Investments in affiliates -

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Investment securities (shares)	¥1,399	¥1,682	\$16,340

### (2) Contingent liabilities -

The Company had the following contingent liabilities as of March 31, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Guarantee			
Employees housing loan	¥4	¥2	\$24

### (3) Maturing notes on the end of year -

For the year ended March 31, 2013, the closing date of the fiscal period was a bank holiday. The Company and its subsidiaries in Japan accounted for notes maturing on the final day based on the actual contractual clearance date. Amounts of such notes maturing at the end of the fiscal year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Notes receivable-trade	¥262	¥-	\$-
Notes payable-trade	90	-	-
Electronically recorded obligations-operating	2	-	-
Notes payable-facilities	13	-	-
Electronically recorded obligations-non-operating	0	-	-
Total	¥367	¥-	\$-

## 7 Notes to Consolidated Statements of Income

### (1) Selling, general and administrative expenses -

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

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Delivery costs	¥ 6,447	¥ 6,894	\$ 66,986
Salaries and bonuses	13,225	14,499	140,873
Pension costs	766	697	6,772
Provisions for bonuses to employees	1,606	2,071	20,124
Provisions for bonuses to directors and corporate auditors	57	66	642
Provisions for retirement benefit of directors and corporate auditors	31	29	281
Depreciation	1,780	2,077	20,177
Rent expenses	1,573	1,534	14,901
Research and development expenditure	2,075	1,928	18,730

### (2) Research and development expenditure -

Research and development expenditure, which is charged to the statement of income when incurred, and is included in selling, general and administrative expenses, amounted to ¥2,075 million and ¥1,928 million (US\$18,730 thousand) for the fiscal years ended March 31, 2013 and 2014, respectively.

### (3) The breakdown of loss on sales of noncurrent assets -

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Land	¥ -	¥33	\$324
Machinery, equipment and vehicles	42	-	-
Tools, furniture and fixtures	0	-	-
Software	0	-	-
	¥42	¥33	\$324

**(4) The breakdown of loss on retirement of noncurrent assets -**

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings and structures	¥137	¥430	\$4,179
Machinery, equipment and vehicles	125	57	550
Tools, furniture and fixtures	15	5	45
Software	11	2	17
Construction in progress	4	-	-
Others	1	21	208
	¥293	¥515	\$4,999

**(5) Loss on disposal of noncurrent assets -**

Loss on disposal of noncurrent assets are mainly Hino First factory demolition work expenses of ¥149 million and Osaka old factory demolition work expenses of ¥130 million (US\$1,263 thousand) for the fiscal years ended March 31, 2013 and 2014, respectively.

**(6) Allowance for construction loss -**

Reversal of allowance for construction of ¥0 million and reversal of allowance for construction of ¥0 million (US\$4 thousand) are included in the cost of sales for the fiscal years ended March 31, 2013 and 2014, respectively.

**(7) Office transfer expenses -**

Office transfer expenses are the Company, group datacenter of the consolidated subsidiary and factory restructuring.

**(8) Impairment loss -**

The Company, as a general rule, categorizes operating assets by work site on an individual asset basis and is able to identify idle assets as being part of a particular group. In calculating recoverable amounts, as a general rule, the Company uses the net realizable value for idle assets and the value in use for other assets.

In the fiscal year ended March 31, 2013, it was judged that certain noncurrent assets associated with the Shiomi Center would not be used after the relocation of said plant, and would therefore be disposed of. Accordingly, the book value of these assets was reduced to remainder price, and a write down of ¥31 million was recorded as impairment loss within extraordinary loss for the fiscal year ended March 31, 2013. In addition, following the cessation of telephone subscription rights, it was judged that the full book value of these assets would not be recoverable through future cash flows. For this reason, an impairment loss of ¥42 million was recognized. The breakdown of impairment loss is buildings and structures ¥16 million, machinery and equipment and vehicles ¥2 million, tools, furniture and fixtures ¥8 million, software ¥5 million, and telephone subscription rights ¥42 million.

Use	Category	Location
Factory	Buildings and structures	Shiomi Center
	Machinery and equipment and vehicles	Koto-ku, Tokyo
	Tools, furniture and fixtures, software	
Unutilized assets	Telephone subscription rights	Head office, etc. Minato-ku, Tokyo

For the fiscal year ended March 31, 2014, there was no impairment loss.

**8 Notes to Statements of Comprehensive Income**

"Other comprehensive income" comprises the following:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Valuation difference on available-for-sale securities			
Gains arising during the year	¥2,571	¥ 4	\$ 38
Reclassification adjustments to profit or loss	44	0	5
Amount before income tax effect	2,615	4	43
Income tax effect	(924)	(2)	(23)
Valuation difference on available-for-sale securities	1,691	2	20
Foreign currency translation adjustment			
Gains arising during the year	433	894	8,686
Share of other comprehensive income of associates accounted for using equity method			
Gains arising during the year	30	(71)	(691)
Reclassification adjustments to profit or loss	-	24	230
Share of other comprehensive income of associates accounted for using equity method	30	(47)	(461)
Total other comprehensive income	¥2,154	¥849	\$8,245

## 9 Notes to Consolidated Statements of Changes in Net Assets

The following are notes to the consolidated statement of changes in net assets as of March 31, 2013.

### (1) Shares issued -

Share type	Previous fiscal year-end (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Fiscal year-end (Thousand shares)
Common stock	115,000	-	-	115,000

### (2) Treasury stock -

Share type	Previous fiscal year-end (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Fiscal year-end (Thousand shares)
Common stock	4,003	0	-	4,003

### (3) Subscription rights to shares and own subscription rights to shares -

Classification	Description of subscription rights to shares	Type of shares to be issued by the exercise of subscription rights to shares	Number of shares issued by the exercise of subscription rights to shares (Thousand shares)			Fiscal year-end	Balance as of fiscal year-end (Millions of yen)
			Previous fiscal year-end	Increase	Decrease		
The Company	Subscription rights to shares as stock options	-	-	-	-	-	13

### (4) Matters related to dividends -

(a) Amount of dividends paid:

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	1,387	12.5	March 31, 2012	June 29, 2012
Meeting of directors held on October 26, 2012	Common stock	1,387	12.5	September 30, 2012	December 10, 2012

(b) Schedule of dividends:

The following shows those dividends with date of record in the fiscal year ended March 31, 2013, for which the effective date is in the following consolidated fiscal year.

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Fiscal resource of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	1,387	Retained earnings	12.5	March 31, 2013	June 28, 2013

The following are notes to the consolidated statement of changes in net assets as of March 31, 2014.

### (1) Shares issued -

Share type	Previous fiscal year-end (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Fiscal year-end (Thousand shares)
Common stock	115,000	-	-	115,000

### (2) Treasury stock -

Share type	Previous fiscal year-end (Thousand shares)	Increase (Thousand shares)	Decrease (Thousand shares)	Fiscal year-end (Thousand shares)
Common stock	4,003	-	-	4,003

### (3) Matters related to dividends -

(a) Amount of dividends paid:

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	1,387	12.5	March 31, 2013	June 28, 2013
Meeting of directors held on October 25, 2013	Common stock	1,387	12.5	September 30, 2013	December 9, 2013

Resolution	Type of stock	Total amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	13,481	0.12	March 31, 2013	June 28, 2013
Meeting of directors held on October 25, 2013	Common stock	13,481	0.12	September 30, 2013	December 9, 2013



(b) Schedule of dividends:

The following shows those dividends with date of record in the fiscal year ended March 31, 2014, for which the effective date is in the following consolidated fiscal year.

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Fiscal resource of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	1,387	Retained earnings	12.5	March 31, 2014	June 30, 2014

Resolution	Type of stock	Total amount of dividends (Thousands of U.S. dollars)	Fiscal resource of dividends	Dividend per share (U.S. dollars)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 27, 2014	Common stock	13,481	Retained earnings	0.12	March 31, 2014	June 30, 2014

## 10 Notes to Consolidated Statements of Cash Flows

### (1) Cash and cash equivalents -

March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and time deposits with original maturity of three months or less	¥39,820	¥37,734	\$366,636
Less: Time deposits with original maturities of more than three months	(50)	(53)	(515)
Short-term investment securities	2,435	-	-
	¥42,205	¥37,681	\$366,121

### (2) Breakdown of assets received and liabilities assumed from companies converted to consolidated subsidiaries following the acquisition of stock -

For the year ended March 31, 2014, the breakdown of assets received and liabilities assumed from J-SCube Inc. at the time of consolidation following the acquisition of stock, acquisition cost, and net cash outflow to acquire the shares of newly consolidated subsidiary are as follows.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,501	\$ 53,456
Noncurrent assets	1,442	14,011
Goodwill	506	4,915
Current liabilities	(2,929)	(28,462)
Noncurrent liabilities	(620)	(6,026)
Acquisition cost	3,900	37,894
Cash and cash equivalents	2,424	23,556
Net cash outflow to acquire the shares of newly consolidated subsidiary	¥ 1,476	\$ 14,338

## 11 Finance Leases

### (1) Finance lease transaction (lessee) -

Finance leases other than those which transfer ownership of property, plant and equipment to lessees are utilized. Lease assets consist mainly of production assets (machinery, equipment and vehicles) used in the printing business. Finance lease transactions that do not transfer ownership prior to April 1, 2008 are accounted for in a manner similar to accounting for ordinary rental transactions. The details are as follows:

(a) Acquisition costs of leased assets under finance leases:

March 31, 2013	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Property, plant and equipment			
Machinery, equipment and vehicles	¥1,256	¥1,240	¥16
Tools, furniture and fixtures	72	72	0
	1,328	1,312	16
Intangible assets			
Others	20	20	0
Total	¥1,348	¥1,332	¥16

In the fiscal year ended March 31, 2014, there were no acquisition costs of leased assets under finance leases.

(b) Future lease payments under finance leases:

March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within one year	¥56	¥-	\$-
Due after one year	-	-	-
	¥56	¥-	\$-

(c) Lease payments and amounts representing depreciation and interest:

March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Lease payments	¥392	¥56	\$543
Amount representing depreciation	124	16	157
Amount representing interest	6	0	2

(d) Calculation method depreciation and interest:

(i) Depreciation of property, plant and equipment

Accumulated depreciation is computed by the declining-balance method at rates based on the period of those finance leases with no residual value.

(ii) Depreciation of intangible assets

Accumulated depreciation is computed by the straight-line method based on the period of those finance leases with no residual value.

(iii) Calculation of interest expense

Interest expense is calculated as the difference between total lease payments and the acquisition cost of leased property, and is allocated to relevant accounting periods based on the interest method.

## (2) Operating lease transaction (lessee) -

Minimum lease payments under non-cancellable operating leases for the fiscal years ended March 31, 2013 and 2014 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Due within one year	¥ 285	¥ 316	\$ 3,067
Due after one year	1,140	1,331	12,932
Total minimum lease payments	¥1,425	¥1,647	\$15,999

## 12 Financial Instruments

### (1) Matters related to the status of financial instruments -

(a) Policies on the use of financial instruments:

Seeking to procure the funds required to implement capital investment plans related to its businesses, the Company raises funds as necessary through such measures as bank borrowings. The Company invests temporary surpluses in highly secure financial assets and does not engage in speculative investment. The Company employs derivative transactions only to hedge against the market risks described below, and does not conduct such trades for speculative purposes.

(b) Content of financial instruments and their supposed risks:

Cash and deposits involve the risk that the depository institution will default and become unable to repay the deposits. Short-term investment securities involve the risk of default by an issuing institution or financial brokerage firm, resulting in damage to principal, as well as the risk of a substantial decline in fair value as a result of changes in the market environment. Such claimable assets as accounts receivable, notes receivable, loans receivable, and other collectibles, as well as such financial assets as lease and guarantee deposits, involve the risk of counterparties becoming unable to discharge their settlement duties due to worsening management conditions or insolvency. Borrowings from financial institutions by consolidated subsidiaries on which the Company has guaranteed obligations involve the risk that a breach of contract with the guaranteed party by the Company's consolidated companies could harm the Company's social credibility and force it to assume responsibility for the borrowings. Derivative contracts involve the risk of non-performance due to default and other factors. Derivative contracts also involve the risk of substantial declines in market value owing to changes in the market environment resulting from foreign exchange rate and interest rate fluctuations, as well as the risk of substantial increases in obligations. Financial obligations on notes and accounts payable involve the risk of double payment owing to the transfer of obligations to a business partner, as well as the risk of being unable to avoid the effects of activities by antisocial elements.

Loans payable involve the risk of a downturn in operating performance which could result in the attachment of collateral and the risk of being unable to sustain the existing conditions of financial agreements. Also, future interest rate increases could cause the Company's obligations on loans payable and bonds payable to increase. Loans payable and other financial obligations also involve the risk that, as the result of a downturn in operating performance, the Company's liquidity could fall to a level that renders it unable to fulfill its payment obligations. A portion of the Company's financial assets, such as cash and deposits, and certain financial obligations are denominated in foreign

currencies as a result of the Group's efforts to expand its operations overseas. Consequently, exchange rate fluctuations could cause its asset values to decline or the cost of its obligations to increase. Cash, foreign currency collateral securities and notes receivable, equity securities and assets underlying marketable securities involve the risk that the Company may be unable to file recovery claims as a result of theft, loss or fire.

(c) Risk management system related to financial instruments:

(i) Management of credit risk (the risk that a customer will default on its transactional obligations)

The Company manages its various claimable assets, such as accounts receivable and notes receivable, according to separately formulated receivables management regulations, with the aim of securing its receivables and boosting its capital efficiency. Specific details regarding management are provided in the Company's customer information management regulations.

In accordance with the provision for "credit management" in Article 2 of the Company's customer information management regulations, on a monthly basis the Company determines the total fair value of its loans receivable, other receivables and other guaranteed obligations, confirming the credit status of customer and collection delays to confirm recoverability.

To lower its counterparty risk, the Company conducts derivative transactions only with highly rated financial institutions.

(ii) Management of market risk (the risk of foreign currency exchange and interest rate fluctuations)

The Company invests funds in accordance with separately formulated financial management regulations and financial management regulation implementation schedule to minimize risks related to capital, interest, liquidity and fund settlement.

On a quarterly basis, the Company determines the fair value of its holdings of marketable securities and the financial status of their issuers (corporate business partners) and reviews the status of its holdings on a regular basis.

The Company engages in derivative transactions only for the purpose of hedging risk, and does not conduct such transactions for speculative purposes.

The risk of hedged financial instruments and its management are described separately in the financial management regulation implementation schedule.

The Company seeks to avoid risk on hedged items by managing risks according to these guidelines.

(iii) Management of liquidity risk related to fund procurement (the risk of being unable to make payments on their due dates)

In accordance with its financial management regulations and financial management regulation implementation schedule, the Company formulates asset budget plans in line with its medium-term plans, reports on investments and performance at monthly investment meetings, and manages ongoing cash flow.

The Company conducts medium- to long-term cash planning and raises funds as necessary by issuing corporate bonds or through bank loans to ensure the availability of appropriate levels of cash and raise capital efficiency.

The Company has formulated financial management regulations, supplementary schedules and affiliated company management regulations with regard to the raising of funds through the issuance of

corporate bonds and borrowings, and procedures for selecting financial institutions and must follow these regulations.

By employing management methods that comply with its financial management regulations and supplementary schedules, the Company is able to determine accurately the total book values of cash and deposits, receivables and payables, and conducts cash planning accordingly to insulate itself from liquidity risk.

(d) Supplementary explanation regarding the fair value of financial instruments: With regard to the fair value of financial instruments, in addition to basing fair value on market value, the fair value of financial instruments that have no available market value is determined by using a rational method of calculation. However, as variables are inherent in these value calculations, the resulting values may differ if different assumptions are used.

## (2) Matters related to the fair value of financial instruments -

The following information relates to the aggregated book carrying amounts and fair values as of March 31, 2013 and 2014. Financial instruments that have no readily available fair values are not included in the information below.

March 31, 2013	Millions of yen		
	Book carrying amount	Fair value	Unrealized gains (losses)
<b>Assets:</b>			
(i) Cash and deposits	¥ 39,820	¥ 39,820	¥ -
(ii) Notes and accounts receivable-trade Allowance for doubtful accounts (*)	42,348 (238)	42,110	-
(iii) Short-term investment securities and investment securities	18,786	18,555	(231)
<b>Total</b>	<b>¥100,716</b>	<b>¥100,485</b>	<b>¥(231)</b>
<b>Liabilities:</b>			
(i) Notes and accounts payable-trade	¥ 20,420	¥ 20,420	¥ -
(ii) Electronically recorded obligations-operating	5,323	5,323	-
<b>Total</b>	<b>¥ 25,743</b>	<b>¥ 25,743</b>	<b>¥ -</b>

(\*) Allowances for doubtful accounts on notes and accounts receivable-trade have been omitted.

March 31, 2014	Millions of yen		
	Book carrying amount	Fair value	Unrealized gains (losses)
<b>Assets:</b>			
(i) Cash and deposits	¥ 37,734	¥ 37,734	¥ -
(ii) Notes and accounts receivable-trade Allowance for doubtful accounts (*)	49,626 (200)	49,426	-
(iii) Short-term investment securities and investment securities	17,030	16,898	(132)
<b>Total</b>	<b>¥104,190</b>	<b>¥104,058</b>	<b>¥(132)</b>
<b>Liabilities:</b>			
(i) Notes and accounts payable-trade	¥ 22,195	¥ 22,195	¥ -
(ii) Electronically recorded obligations-operating	6,874	6,874	-
<b>Total</b>	<b>¥ 29,069</b>	<b>¥ 29,069</b>	<b>¥ -</b>

March 31, 2014	Thousands of U.S. dollars		
	Book carrying amount	Fair value	Unrealized gains (losses)
<b>Assets:</b>			
(i) Cash and deposits	\$ 366,636	\$ 366,636	\$ -
(ii) Notes and accounts receivable-trade Allowance for doubtful accounts (*)	482,178 (1,942)	480,236	-
(iii) Short-term investment securities and investment securities	165,471	164,189	(1,282)
<b>Total</b>	<b>\$1,012,343</b>	<b>\$1,011,061</b>	<b>\$(1,282)</b>
<b>Liabilities:</b>			
(i) Notes and accounts payable-trade	\$ 215,656	\$ 215,656	\$ -
(ii) Electronically recorded obligations-operating	66,788	66,788	-
<b>Total</b>	<b>\$ 282,444</b>	<b>\$ 282,444</b>	<b>\$ -</b>

(\*) Allowances for doubtful accounts on notes and accounts receivable-trade have been omitted.

(a) Matters related to calculating the fair value of financial instruments and marketable securities:

Assets

(i) Cash and deposits and (ii) notes and accounts receivable–trade

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

(iii) Short-term investment securities and investment securities

The fair values of equity securities are determined by their prices on stock exchanges. The fair value of bonds is determined according to prices indicated on bond exchanges or the values indicated by the financial institutions handling these transactions.

(b) Financial instruments for which fair value is not readily determinable:

Liabilities

(i) Notes and accounts payable–trade, (ii) Electronically recorded obligations–operating

As these instruments are settled within a short term and their fair values and book values are similar, their book values are assumed as their fair values.

March 31	Book carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Non-listed equity securities	¥1,977	¥1,967	\$19,109

These instruments are not included in (iii) short-term investment securities and investment securities, as they have no market value, and their fair value is not readily determinable.

(c) Redemption schedule for monetary assets and the expected maturity values of marketable securities:

March 31, 2013	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥39,820	¥ –	¥ –	¥ –
Notes and accounts receivable–trade	42,348	–	–	–
Short-term investment securities and investment securities				
–Held-to-maturity debt securities				
(i) Corporate bonds	400	2,310	1,000	2,000
(ii) Others	800	–	–	–
–Other securities that have maturity dates (Others)	–	89	526	–
<b>Total</b>	<b>¥83,368</b>	<b>¥2,399</b>	<b>¥1,526</b>	<b>¥2,000</b>

March 31, 2014	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥37,734	¥ –	¥ –	¥ –
Notes and accounts receivable–trade	49,626	–	–	–
Short-term investment securities and investment securities				
–Held-to-maturity debt securities				
(i) Corporate bonds	1,608	1,750	2,000	1,100
–Other securities that have maturity dates (Others)	43	269	300	–
<b>Total</b>	<b>¥89,011</b>	<b>¥2,019</b>	<b>¥2,300</b>	<b>¥1,100</b>

March 31, 2014	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	\$366,636	\$ –	\$ –	\$ –
Notes and accounts receivable–trade	482,178	–	–	–
Short-term investment securities and investment securities				
–Held-to-maturity debt securities				
(i) Corporate bonds	15,619	17,003	19,433	10,688
–Other securities that have maturity dates (Others)	421	2,611	2,915	–
<b>Total</b>	<b>\$864,854</b>	<b>\$19,614</b>	<b>\$22,348</b>	<b>\$10,688</b>

(d) Redemption schedule for short-term loans payable, long-term loans payable and lease obligations:

Millions of yen						
March 31, 2013	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term loans payable	¥283	¥ –	¥ –	¥–	¥–	¥–
Lease obligations	22	15	10	4	0	–
Total	¥305	¥15	¥10	¥4	¥0	¥–

Millions of yen						
March 31, 2014	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term loans payable	¥317	¥ –	¥ –	¥–	¥–	¥–
Lease obligations	23	17	10	6	2	–
Total	¥340	¥17	¥10	¥6	¥2	¥–

Thousands of U.S. dollars						
March 31, 2014	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term loans payable	\$3,081	\$ –	\$ –	\$ –	\$ –	\$–
Lease obligations	225	167	98	53	21	–
Total	\$3,306	\$167	\$98	\$53	\$21	\$–

### 13 Marketable and Investment Securities

The following are certain information relating to the aggregate book carrying amount and fair value of securities as of March 31, 2013 and 2014.

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

Millions of yen			
March 31, 2013	Book carrying amount	Fair value	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
(i) Government bonds, municipal bonds, etc.	¥ –	¥ –	¥ –
(ii) Corporate bonds	2,699	2,735	36
(iii) Others	500	500	0
	3,199	3,235	36
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
(i) Government bonds, municipal bonds, etc.	–	–	–
(ii) Corporate bonds	3,011	2,743	(268)
(iii) Others	300	300	–
	3,311	3,043	(268)
Total	¥6,510	¥6,278	¥(232)

Millions of yen			
March 31, 2014	Book carrying amount	Fair value	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
(i) Government bonds, municipal bonds, etc.	¥ –	¥ –	¥ –
(ii) Corporate bonds	3,707	3,744	37
(iii) Others	–	–	–
	3,707	3,744	37
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
(i) Government bonds, municipal bonds, etc.	–	–	–
(ii) Corporate bonds	2,748	2,579	(169)
(iii) Others	–	–	–
	2,748	2,579	(169)
Total	¥6,455	¥6,323	¥(132)

March 31, 2014	Thousands of U.S. dollars		
	Book carrying amount	Fair value	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
(i) Government bonds, municipal bonds, etc.	\$ -	\$ -	\$ -
(ii) Corporate bonds	36,021	36,379	358
(iii) Others	-	-	-
	<b>36,021</b>	<b>36,379</b>	<b>358</b>
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
(i) Government bonds, municipal bonds, etc.	-	-	-
(ii) Corporate bonds	26,703	25,062	(1,641)
(iii) Others	-	-	-
	<b>26,703</b>	<b>25,062</b>	<b>(1,641)</b>
Total	<b>\$62,724</b>	<b>\$61,441</b>	<b>\$(1,283)</b>

**(2) "Other securities" whose market price or quotations are available -**

March 31, 2013	Millions of yen		
	Market value (= Book carrying amount)	Acquisition cost	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
(i) Share stocks	¥ 6,897	¥3,805	¥ 3,092
(ii) Bond certificate	-	-	-
(iii) Others	1,688	1,657	31
	<b>8,585</b>	<b>5,462</b>	<b>3,123</b>
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
(i) Share stocks	942	1,010	(68)
(ii) Bond certificate	-	-	-
(iii) Others	2,749	2,778	(29)
	<b>3,691</b>	<b>3,788</b>	<b>(97)</b>
Total	<b>¥12,276</b>	<b>¥9,250</b>	<b>¥(3,026)</b>

March 31, 2014	Millions of yen		
	Market value (= Book carrying amount)	Acquisition cost	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
(i) Share stocks	¥ 7,267	¥4,218	¥ 3,049
(ii) Bond certificate	-	-	-
(iii) Others	2,115	2,059	56
	<b>9,382</b>	<b>6,277</b>	<b>3,105</b>
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
(i) Share stocks	601	641	(40)
(ii) Bond certificate	-	-	-
(iii) Others	592	626	(34)
	<b>1,193</b>	<b>1,267</b>	<b>(74)</b>
Total	<b>¥10,575</b>	<b>¥7,544</b>	<b>¥(3,031)</b>

March 31, 2014	Thousands of U.S. dollars		
	Market value (= Book carrying amount)	Acquisition cost	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet			
(i) Share stocks	\$ 70,606	\$40,987	\$29,619
(ii) Bond certificate	–	–	–
(iii) Others	20,547	20,005	542
	<b>91,153</b>	<b>60,992</b>	<b>30,161</b>
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet			
(i) Share stocks	5,843	6,231	(388)
(ii) Bond certificate	–	–	–
(iii) Others	5,752	6,087	(335)
	<b>11,595</b>	<b>12,318</b>	<b>(723)</b>
Total	<b>\$102,748</b>	<b>\$73,310</b>	<b>\$29,438</b>

Investments held in unlisted stocks with acquisition book value of ¥577 million and ¥285 million (US\$2,768 thousand) as at March 31, 2013 and 2014, respectively, are not included in the above disclosures of fair value since no quoted market prices are available meaning that ascertaining fair values is considered to be extremely difficult.

### (3) "Other securities" sold in the current fiscal year -

March 31, 2013	Millions of yen		
	Proceeds from sales of "Other securities"	Gain on sales of "Other securities"	Loss on sales of "Other securities"
(i) Share stocks	¥285	¥167	¥1
(ii) Bond certificate	–	–	–
(iii) Others	262	30	4
Total	¥547	¥197	¥5

March 31, 2014	Millions of yen		
	Proceeds from sales of "Other securities"	Gain on sales of "Other securities"	Loss on sales of "Other securities"
(i) Share stocks	¥ 0	¥0	¥–
(ii) Bond certificate	–	–	–
(iii) Others	2,479	0	0
Total	¥2,479	¥0	¥0

March 31, 2014	Thousands of U.S. dollars		
	Proceeds from sales of "Other securities"	Gain on sales of "Other securities"	Loss on sales of "Other securities"
(i) Share stocks	\$ 0	\$0	\$–
(ii) Bond certificate	–	–	–
(iii) Others	24,088	0	5
Total	\$24,088	\$0	\$5

### (4) "Loss on valuation of investment securities" -

The Company recognized impairment loss on other securities of ¥103 million for the fiscal year ended March 31, 2013.

In the fiscal year ended March 31, 2014, there was no loss on valuation of investment securities.

## 14 Derivative Financial Instruments

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

As of March 31, 2013 and 2014, there were no outstanding contracts for derivatives.

## 15 Pension and Severance Plans

The following are notes to the consolidated statement of pension and severance plans as of March 31, 2013.

### (1) Outline of pension and severance plans -

The Company and certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations for contributory funded defined benefit pension plans or non-contributory plans to cover employee pensions. Overseas subsidiaries do not have defined benefit pension plans.

### (2) Pension liabilities for employees -

	Millions of yen
	2013
(1) Projected benefit obligation	¥(30,448)
(2) Plan assets at fair value	25,360
(3) Unfunded benefit obligation (1) + (2)	(5,088)
(4) Unrecognized actuarial gains/(losses)	5,406
(5) Unrecognized prior service costs	(2,823)
(6) Provision for retirement benefit (3) + (4) + (5)	¥ (2,505)

The Company contributed certain marketable equity securities in 2001 to the employee retirement benefit trust as plan assets, the fair value of which amounted to ¥1,809 million as of March 31, 2013.

### (3) Components of the net periodic pension cost -

	Millions of yen
	2013
(1) Service costs	¥1,596
(2) Interest costs	575
(3) Expected return on plan assets	(620)
(4) Expense for actuarial losses	879
(5) Amortization of prior service costs	(348)
(6) Net periodic pension cost (1) + (2) + (3) + (4) + (5)	¥2,082

### (4) The basis of calculation of retirement benefit obligations -

(a) Method of attributing the projected benefits to periods of service: Straight-line basis is adopted.

(b) Discount rate:

	2013
Discount rate	1.9%

(c) Expected return on plan assets:

	2013
Expected return on plan assets	2.9%

(d) Amortization of unrecognized prior service costs: Straight-line over 15 years is adopted.

(e) Amortization of unrecognized actuarial gain/loss: Straight-line over 15 years is adopted.

The following are notes to the consolidated statement of pension and severance plans as of March 31, 2014.

### (1) Outline of pension and severance plans -

The Company and certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations for contributory funded defined benefit pension plans or non-contributory plans to cover employee pensions. Certain consolidated subsidiaries participate in pension plans that are classified as multi-employer plans. Overseas subsidiaries do not have defined benefit pension plans.

### (2) Defined-benefit pension plans -

(a) Reconciliation of defined benefit obligation at beginning and end of period:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Defined benefit obligation at beginning of period	¥30,448	\$295,847
Service costs	1,657	16,098
Interest costs	587	5,706
Actuarial gains and losses incurred this period	15	149
Retirement benefits paid	(1,680)	(16,324)
Increase due to business combination	822	7,991
Others	3	27
Defined benefit obligation at end of period	¥31,852	\$309,494



(b) Reconciliation of balance of plan assets at beginning and end of period:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at beginning of period	¥25,360	\$246,410
Expected return on plan assets	687	6,676
Actuarial gains and losses incurred this period	1,620	15,739
Employer contribution	2,366	22,987
Retirement benefits paid	(1,670)	(16,225)
Increase due to business combination	409	3,978
Plan assets at end of period	¥28,772	\$279,565

(c) Reconciliation of defined benefit obligation and plan assets with net defined benefit liability and asset reflected on the consolidated balance sheet:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Defined benefit obligation for funded plan	¥31,050	\$301,697
Plan assets at fair value	28,772	279,564
	2,278	22,133
Defined benefit obligation for unfunded plan	802	7,796
Net amount of defined benefit liability and asset on the consolidated balance sheet	¥ 3,080	\$ 29,929
Net defined benefit liability	¥ 3,080	\$ 29,929
Net defined benefit asset	-	-
Net amount of defined benefit liability and asset on the consolidated balance sheet	¥ 3,080	\$ 29,929

(d) Components of net periodic benefit cost:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service costs	¥1,657	\$16,098
Interest costs	587	5,706
Expected return on plan assets	(687)	(6,676)
Expense for actuarial losses	783	7,608
Amortization of prior service costs	(348)	(3,378)
Net periodic benefit cost of defined benefit plan	¥1,992	\$19,358

(e) Composition of items included in remeasurements of defined benefit plans, net of taxes:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service costs	¥ 2,476	\$ 24,055
Unrecognized actuarial gains and losses	(3,047)	(29,602)
	¥ (571)	\$ (5,547)

(f) Plan asset information:

(i) Breakdown of plan assets

Ratio of each component of plan assets to the amount of total pension assets

	2014
Bond certificate	40.5%
Share stocks	34.2%
Cash and deposits	0.4%
Others	24.9%
	100.0%

A retirement benefit trust established for the corporate pension plan accounts for 7.6% of plan assets.

(ii) Method for calculating long-term rate of return on plan assets

In calculating the long-term rate of return on plan assets, the Company considers the current distribution of plan assets and the projected future distribution as well as the current rates of return for each of the assets included under plan assets and the expected future rates of return for these assets.

(g) Assumptions for making actuarial calculations:

Assumptions used for making actuarial calculations in the fiscal year ended March 31, 2014 (shown using weighted average)

	2014
Discount rate	1.9%
Expected return on plan assets	2.9%

## 16 Stock Options

### (1) Extraordinary gain by unused rights -

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Gain on reversal of subscription rights to shares	¥21	¥13	\$128

### (2) The number of common shares to be granted for stock options -

	The date of ordinary shareholders' meeting	Number of common shares granted (Shares)	Exercise price per share (Exact yen/ U.S. dollars)	Exercise periods
Stock options to purchase newly issued shares	June 29, 2007	245,000	¥1,527/\$14.84	From July 1, 2008 to June 30, 2013

### (3) The summary of the number of stock options -

The date of ordinary shareholders' meeting	June 29, 2007
Exercise price per share (exact yen/ U.S. dollars)	¥1,527/ \$14.84
Number of stock options as of March 31, 2013 (1)	83,000
Decrease on the exercise of stock options (2)	-
Decrease on the lapse of stock options (3)	(83,000)
Number of stock options as of March 31, 2014 (4) = (1) + (2) + (3)	-
Exercise periods	From July 1, 2008 to June 30, 2013

## 17 Income Taxes

### (1) The significant components of deferred tax assets and liabilities -

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
<b>Deferred tax assets:</b>			
Provision for bonuses	¥ 1,645	¥ 1,773	\$ 17,230
Enterprise tax	237	200	1,947
Depreciation	51	48	465
Provision for retirement benefits	1,200	-	-
Net defined benefit liability	-	1,371	13,324
Provision for directors' retirement benefits	58	90	873
Allowance for doubtful accounts	147	144	1,396
Unrealized loss on investment securities	435	360	3,502
Unrealized loss on golf club membership	172	148	1,434
Asset retirement obligations	172	170	1,652
Net operating loss carry forwards of subsidiaries	298	278	2,697
Impairment loss	248	46	448
Others	446	646	6,277
Subtotal of deferred tax assets	5,109	5,274	51,245
Valuation allowance	(447)	(536)	(5,211)
Deferred tax assets total	4,662	4,738	46,034
<b>Deferred tax liabilities:</b>			
Undistributed earnings of foreign subsidiaries	(17)	(20)	(198)
Valuation difference on available-for-sale securities	(1,073)	(1,076)	(10,452)
Depreciation	(87)	(97)	(941)
Others	(36)	(29)	(283)
Deferred tax liabilities total	(1,213)	(1,222)	(11,874)
Deferred tax assets, net (*)	¥ 3,449	¥ 3,516	\$ 34,160

(\*) Deferred tax assets are stated net in the following accounts of the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Current assets — deferred tax assets:	¥2,322	¥2,268	\$22,039
Long-term assets — deferred tax assets:	1,242	1,379	13,397
Long-term liabilities — deferred tax liabilities:	(115)	(131)	(1,276)
Deferred tax assets, net	¥3,449	¥3,516	\$34,160

## (2) The reconciliation between the statutory tax and the Company's effective tax rate -

Disclosure of the reconciliation between the statutory tax rate and the effective corporate income tax rate is required if the difference of these two rates is more than 5% of the statutory tax rate. The Company did not disclose such reconciliations as the difference was less than 5% for the fiscal years ended March 31, 2013 and 2014.

## (3) Revision of values for deferred tax assets and deferred tax liabilities due to change in statutory tax rate-

On March 31, 2014, the Bill for Partial Amendment of the Income Tax Act, etc. was announced. This act stipulated the abolishment of the special corporate tax for post-Great East Japan Earthquake reconstruction beginning with fiscal years commenced on or after April 1, 2014. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities in the fiscal year ended March 31, 2014, has been changed from 38.0% to 35.6% in consideration of the forecast disappearance of temporary differences in the fiscal year ending March 31, 2015.

As a result, net deferred tax assets (deferred tax assets less deferred tax liabilities) decreased ¥163 million and income taxes-deferred (recorded under Company expenses) increased ¥163 million in the fiscal year ended March 31, 2014.

## 18 Business Combination

### (1) Overview of business combination -

(a) Name and business lines of acquired company:

(i) Acquired company

J-SCube Inc.

(ii) Business operations of acquired company

Document outsourcing services, equipment solutions, and staff services

(b) Primary reasons for business combination:

J-SCube possesses industry-leading technologies and expertise in the data input field, including such areas as digitalization of paper documents, scanning, and data entry. Meanwhile, the Company is particularly strong in the field of information output (printing). It was therefore expected that the acquisition of J-SCube, with its strengths in data input, will enable the Company to further raise the value of its business process outsourcing business, and thereby improve corporate value. Stock in this company was acquired based on this rationale.

(c) Date of business combination:

April 1, 2013.

(d) Legal form of business combination:

Acquisition of shares by cash

(e) Name of company after business combination:

J-SCube Inc.

(f) Percentage of voting rights acquired:

Percentage of voting rights before business combination: 0%

Percentage of voting rights after business combination: 100%

(g) Reason for selecting acquired company:

Cash purchase of stock of acquired company by the Company

### (2) Period for which business results of acquired company are included in consolidated financial statements -

From April 1, 2013, to March 31, 2014

### (3) Acquisition cost of the stock of acquired company and breakdown of acquisition cost -

(a) Compensation for acquisition:

¥3,800 million (US\$36,922 thousand)

(b) Expenditures directly related to the acquisition:

¥100 million (US\$972 thousand)

(c) Acquisition cost:

¥3,900 million (US\$37,894 thousand)

### (4) Resulting goodwill amount, reason for occurrence, amortization method, and amortization period -

(a) Resulting goodwill amount:

¥506 million (US\$4,915 thousand)

(b) Reason for occurrence:

Occurrence due to projected future earnings capacity

(c) Amortization method, and amortization period:

Straight-line method over five years

### (5) Breakdown of assets received and liabilities assumed on date of business combination -

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,501	\$ 53,456
Noncurrent assets	1,442	14,011
Total assets	6,943	67,467
Current liabilities	(2,929)	(28,462)
Noncurrent liabilities	(620)	(6,026)
Total liabilities	(3,549)	(34,488)

## 19 Asset Retirement Obligations

### (1) Overview of asset retirement obligations -

Asset retirement obligations of the Company are mainly statutory obligations with regard to the removal of property, plant and equipment in connection with real estate leasing agreements to restore them to their original condition.

### (2) Method of calculating asset retirement obligations -

Asset retirement obligations are calculated using the estimated useful life of assets and related yield on Japanese government bonds.

### (3) Change in total asset retirement obligations during the consolidated fiscal year under review -

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Balance at beginning of year	¥ 733	¥ 619	\$ 6,020
Increase due to purchases of property, plant and equipment	42	26	248
Changes due to fulfillment of asset retirement obligations	(289)	(171)	(1,659)
Increase due to changes in estimates	126	19	185
Increases in other items	7	7	65
Balance at year-end	¥ 619	¥ 500	\$ 4,859

## 20 Segment Information

### (1) Outline of reporting segments -

The Company's reporting segments are composed of those individual business units for which separate financial information is available, and which are used by members of the Board of Directors for making decisions regarding the allocation of management resources, and to allow the periodic examination and evaluation of operating performance.

The Company's planning department based at its headquarters prepares the overall plan by product and service.

The Company has separated its reporting segments on the basis of product and service into two reporting segments: printing business and merchandise business.

The printing business consists of the printing of business forms and data printing services. The merchandise business is the sale of supplies and equipment related to the printing business, business information operating services and other.

### (2) Methods of calculating sales, income or losses, assets, liabilities and other items by reporting segment -

Accounting policies and procedures followed by reporting segments are in principal the same as those indicated in "Note 2. Summary of Significant Accounting Policies". Income or losses of reporting segments are based on operating income.

### (3) Information related to amounts of sales, income or losses, assets, liabilities and other items for individual reporting segments -

Segment information for the year ended March 31, 2013 is as follows:

March 31, 2013	Millions of yen				
	Printing business	Merchandise business	Total	Adjustment (*1)	Consolidated (*2)
Net sales:					
Outside customers	¥196,884	¥46,915	¥243,799	¥ -	¥243,799
Inter-segment	800	919	1,719	(1,719)	-
Total	197,684	47,834	245,518	(1,719)	243,799
Segment profits or losses	14,554	(682)	13,872	(1,985)	11,887
Segment assets	¥152,449	¥15,979	¥168,428	¥32,082	¥200,510
Others:					
Depreciation	¥ 7,222	¥ 196	¥ 7,418	¥ 52	¥ 7,470
Impairment loss	38	-	38	35	73
Increase of "Property, plant and equipment" and "Intangible assets"	12,990	8	12,998	-	12,998

\*1 Adjustment to segment profits of negative ¥1,986 million includes corporate level expenses that are not allocated to individual reporting segments. Such expenses comprise mainly non-segment specific general and administrative expenses. Adjustment to segment assets includes corporate level assets of ¥32,082 million, which consist principally of surplus investment funds (term deposits and demand deposits) and long-term investment funds (such as marketable securities) which are non-segment specific.

Adjustment to Impairment loss of ¥35 million is comprised of corporate level expenses.

\*2 Segment profits are reconciled to the operating income included in the consolidated statements of income.

Segment information for the year ended March 31, 2014 is as follows:

March 31, 2014	Millions of yen				
	Printing business	Merchandise business	Total	Adjustment (*1)	Consolidated (*2)
Net sales:					
Outside customers	¥205,946	¥55,465	¥261,411	¥ -	¥261,411
Inter-segment	707	1,261	1,968	(1,968)	-
Total	206,653	56,726	263,379	(1,968)	261,411
Segment profits or losses	13,785	(92)	13,693	(1,423)	12,270
Segment assets	¥160,115	¥18,723	¥178,838	¥29,167	¥208,005
Others:					
Depreciation	¥ 7,971	¥ 349	¥ 8,320	¥ 55	¥ 8,375
Impairment loss	-	-	-	-	-
Increase of "Property, plant and equipment" and "Intangible assets"	10,219	58	10,277	-	10,277

March 31, 2014	Thousands of U.S. dollars				
	Printing business	Merchandise business	Total	Adjustment (*1)	Consolidated (*2)
Net sales:					
Outside customers	\$2,001,030	\$538,913	\$2,539,943	\$ -	\$2,539,943
Inter-segment	6,868	12,250	19,118	(19,118)	-
Total	2,007,898	551,163	2,559,061	(19,118)	2,539,943
Segment profits or losses	133,936	(895)	133,041	(13,822)	119,219
Segment assets	\$1,555,723	\$181,914	\$1,737,637	\$283,395	\$2,021,032
Others:					
Depreciation	\$ 77,446	\$ 3,394	\$ 80,840	\$ 531	\$ 81,371
Impairment loss	-	-	-	-	-
Increase of "Property, plant and equipment" and "Intangible assets"	99,286	562	99,848	-	99,848

\*1 Adjustment to segment profits of negative ¥1,423 million (US\$13,822 thousand) includes corporate level expenses that are not allocated to individual reporting segments. Such expenses comprise mainly non-segment specific general and administrative expenses. Adjustment to segment assets includes corporate level assets of ¥29,167 million (US\$283,395 thousand), which consist principally of surplus investment funds (term deposits and demand deposits) and long-term investment funds (such as marketable securities) which are non-segment specific.

\*2 Segment profits are reconciled to the operating income included in the consolidated statements of income.

#### (4) Related information -

##### (a) Products and service:

Information of each product and service is presented in (3) above.

##### (b) Geographic region:

###### (i) Sales

Sales information is not presented geographically since sales to customers located in Japan exceeds 90% of the net sales recorded in the consolidated statements of income.

###### (ii) Property, plant and equipment

Property, plant and equipment information is not presented geographically since property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment recorded in the consolidated balance sheets.

##### (c) Main customers:

March 31, 2013	Millions of yen	
	Customer	Related segment
	Tokyo Electric Power Co., Inc	Printing and Merchandise business
	¥30,020	
March 31, 2014	Millions of yen	
	Customer	Related segment
	Tokyo Electric Power Co., Inc	Printing and Merchandise business
	¥29,489	
March 31, 2014	Thousands of U.S. dollars	
	Customer	Related segment
	Tokyo Electric Power Co., Inc	Printing and Merchandise business
	\$286,524	

#### (5) Impairment loss on assets by reportable segment -

Information of impairment loss on assets by reportable segment for the years ended March 31, 2013 and 2014 is presented in (3) above.

#### (6) Amortization of goodwill and unamortized balance by reportable segment -

Amortization of goodwill and unamortized balance by reportable segment for the years ended March 31, 2013 and 2014 are as follows:

In the fiscal year ended March 31, 2013, there was no amortization of goodwill and unamortized balance.

March 31, 2014	Millions of yen				
	Printing business	Merchandise business	Total	Adjustment	Consolidated
Amortization of goodwill	¥101	¥-	¥101	¥-	¥101
Balance at the end of current period	¥405	¥-	¥405	¥-	¥405
March 31, 2014	Thousands of U.S. dollars				
	Printing business	Merchandise business	Total	Adjustment	Consolidated
Amortization of goodwill	\$ 983	\$-	\$ 983	\$-	\$ 983
Balance at the end of current period	\$3,932	\$-	\$3,932	\$-	\$3,932

#### (7) Gain on negative goodwill by reportable segment -

Not applicable.

## 21 Related Party Transactions

There are several related party transactions, including sales to Toppan Printing Co., Ltd., which owns 60.7% of the common stock of the Company. The transactions were made at arm's-length prices that are considered to be equivalent to market prices.

Sales to Toppan Printing Co., Ltd. for the fiscal years ended March 31, 2013 and 2014 amounted to ¥10,210 million and ¥10,929 million (US\$106,193

thousand), respectively. The balance of accounts receivable from Toppan Printing Co., Ltd. as of March 31, 2013 and 2014 amounted to ¥2,230 million and ¥2,354 million (US\$22,870 thousand), respectively.

There are no related party transactions by consolidated subsidiaries of the Company.

## 22 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 these fiscal years are excluded.

March 31	Yen		U.S. dollars
	2013	2014	2014
Net assets per share	¥1,348.07	¥1,393.46	\$13.54
Net income per share	64.05	65.96	0.64

As the Company had no diluted securities as at March 31, 2013 and 2014, the Company does not disclose amounts of diluted net income per share for the years ended March 31, 2013 and 2014.

### Basic net income per share

March 31	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net income	¥ 7,109	¥ 7,322	\$71,136
Net income not available to common shareholders	–	–	–
Net income available to common shareholders	7,109	7,322	71,136
Weighted-average number of shares outstanding (thousand shares)	110,997	110,997	–

## 23 Schedule of Bonds

Not applicable.

## 24 Schedule of Borrowings

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Due date of payment
	2013	2014	2014		
Short-term loans payable	¥283	¥317	\$3,081	1.24%	–
Lease obligations	22	23	225	–	–
Lease obligations (without current portion)	29	35	339	–	From 2015 to 2018
	¥334	¥375	\$3,645		

(1) "Average interest rate" represents the weighted-average interest rate of term-end borrowings.

(2) As interest included in lease payments is allocated on the straight-line method to each fiscal year, the average interest rate of lease obligations is omitted.

(3) The projected repayment amount of long-term debt (excluding debt scheduled to be repaid within one year) within five years after the consolidated balance sheet date (i.e. March 31, 2014) are as follows:

	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years	Over one year and not exceeding two years	Over two years and not exceeding three years	Over three years and not exceeding four years	Over four years and not exceeding five years
	Millions of yen				Thousands of U.S. dollars			
Lease obligations	¥17	¥10	¥6	¥2	\$167	\$98	\$53	\$21



## Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheet of TOPPAN FORMS CO., LTD. ("the Company") and its consolidated subsidiaries as of March 31, 2014 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2014, and its financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

June 27, 2014

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*PricewaterhouseCoopers Aarata*  
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# Corporate Information

As of March 31, 2014

## Company Name

TOPPAN FORMS CO.,LTD.

## Corporate Website

www.toppan-f.co.jp/english/

## Head Office

1-7-3 Higashi Shimbashi,  
Minato-ku, Tokyo 105-8311, Japan

## Contact

Public Relations Department  
Tel: 81-3-6253-5730  
Fax: 81-3-6253-5708

## Founded

May 1955

## Number of Employees

11,429 (Consolidated)

1,839 (Non-Consolidated)

# Principal Subsidiaries and Affiliates

As of March 31, 2014

Name	Country	Main Business	Issued Capital (Thousands)	Equity held by the Company (%)
Toppan Forms Central Products Co., Ltd.	Japan	Manufacture of business forms	¥ 100,000	100.0
Toppan Forms Tokai 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
Techno Toppan Forms Co., Ltd.	Japan	Sale, maintenance, and repair of office equipment	¥ 100,000	100.0
Toppan Forms Logistics and Services Co., Ltd.	Japan	Delivery and keeping consignment of products	¥ 50,000	100.0
Toppan Forms Kansai Co., Ltd.	Japan	Distribution, delivery, and storage services Manufacture of business forms	¥ 50,000	100.0
Toppan Forms Nishinohon Co., Ltd.	Japan	Distribution, delivery, and storage services Manufacture of business forms	¥ 30,000	100.0
Toppan Forms (Sanyo) Co., Ltd.	Japan	Manufacture of business forms	¥ 50,000	100.0
TOSCO CORPORATION	Japan	Capital alliance and business tie up	¥ 100,000	69.7
TF Payment Service Co., Ltd.	Japan	Information handling service and Settlement-of-accounts processing business by using internet	¥ 460,000	82.6
J-SCube Inc.	Japan	Document outsourcing services, equipment solutions, and staff services	¥1,000,000	100.0
Toppan Forms (Hong Kong) Ltd.	Hong Kong	Manufacture of business forms Sale of plastic cards, computer supplies, DPS, and office automation machines	HK\$ 94,000	100.0 <sup>*1</sup>
Toppan Forms (S) Pte. Ltd.	Singapore	Manufacture and sale of business forms, DPS, sale of machines for processing business forms	S\$ 1,226	100.0 <sup>*2</sup>

Total number of subsidiaries: 22

Total number of affiliates: 4

\*1 Indirectly owned through T.F. Company Ltd.

\*2 52.3% directly owned by the Company and 47.7% indirectly owned through T.F. Company Ltd.



# Investor Information

As of March 31, 2014

## Stock Listing

Tokyo Stock Exchange

## Stock Code

7862

## Capital Stock

Authorized: 400,000,000 shares

Issued: 115,000,000 shares

## Stock Transaction Unit

100 shares

## Independent Certified Public Accountant

PricewaterhouseCoopers Aarata

(Member Firm of PricewaterhouseCoopers LLP)

## Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

## Number of Shareholders

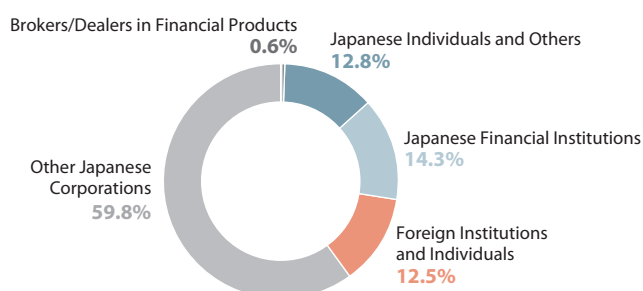
8,902

## Major Shareholders

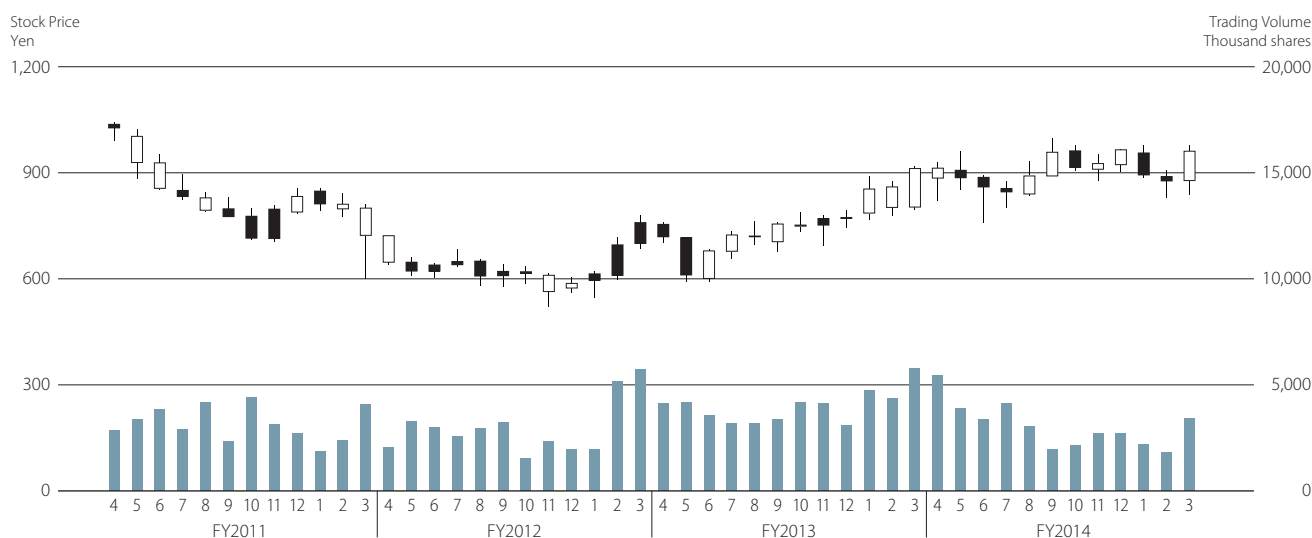
Name	Number of shares held (Thousands)	Percentage of share ownership (%)
TOPPAN PRINTING CO., LTD.	67,419	60.7
Japan Trustee Services Bank, Ltd.	8,429	7.6
The Master Trust Bank of Japan, Ltd.	3,306	3.0
Toppan Forms Employees Shareholding Association	2,449	2.2
Trust & Custody Services Bank, Ltd.	1,874	1.7
EVERGREEN	1,198	1.1
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	704	0.6
CACEIS BANK LUXEMBOURG CLIENT ACCOUNT	667	0.6
Northern Trust Co. AVFC Re U.S. Tax Exempted Pension Funds	621	0.6
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	596	0.5

Note: Figures in the table above do not include the 4,003 thousand shares of treasury stock held by the Company on March 31, 2014. These shares were also excluded when calculating percentage of share ownership.

## Shareholdings by Type of Shareholder



## Stock Price Range and Trading Volume



**TOPPAN FORMS CO.,LTD.**

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