



# TOPPAN FORMS

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## About Toppan Forms

Toppan Forms Co., Ltd., a pioneer in the Japanese market for business forms, draws on the know-how it has accumulated over many years of experience to offer a wide range of business forms for a variety of applications. The Company has demonstrated its advanced capabilities and overall strengths by building its DPS (Data Print Services) operations, which link business forms technologies with data processing expertise, into another core business. Furthermore, in response to the emergence of a digital age, the Company is developing various information-related businesses using the Internet and other electronic media. Toppan Forms is working to offer the best solutions to diverse user needs and to provide comprehensive information management services to a broad customer base.

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## Financial Highlights

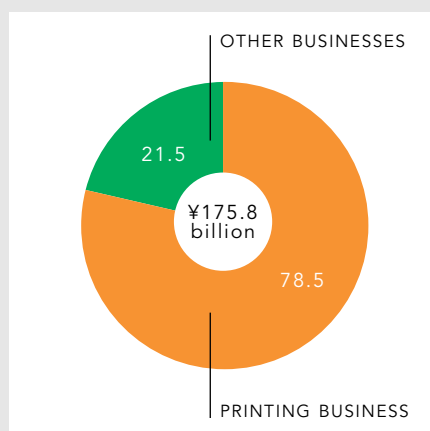
Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1997	1998	1999	1999
Net Sales	¥173,595	¥176,619	<b>¥175,797</b>	<b>\$1,452,868</b>
Operating Profit	12,863	17,038	<b>15,251</b>	<b>126,042</b>
Net Income	5,335	7,197	<b>7,825</b>	<b>64,669</b>
Per Share Data (in yen and U.S. dollars):				
Net Income	¥ 50.81	¥ 65.43	<b>¥ 68.04</b>	<b>\$ 0.56</b>
Cash Dividends	105.00	15.00	<b>17.00</b>	<b>0.14</b>
Shareholders' Equity	¥ 50,682	¥ 69,182	<b>¥ 75,060</b>	<b>\$ 620,331</b>
Total Assets	109,882	125,730	<b>126,839</b>	<b>1,048,256</b>

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥121=U.S.\$1, the approximate rate of exchange at March 31, 1999.

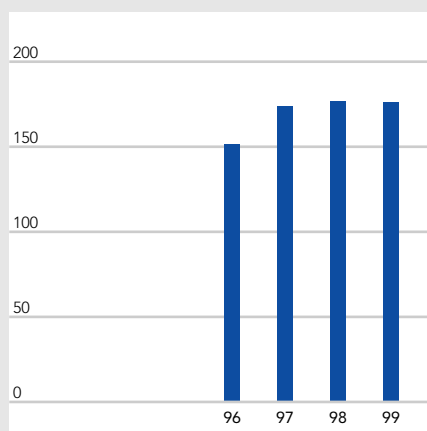
### COMPOSITION OF SALES BY BUSINESS SEGMENT

(%)



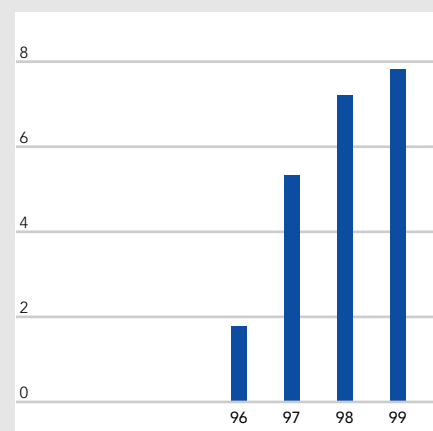
### NET SALES

(Billions of Yen)



### NET INCOME

(Billions of Yen)



## To Our Shareholders and Friends



Yasuhiro Fukuda  
President and Representative Director

### Operating environment and results in fiscal 1999

During fiscal 1999, ended March 31, 1999, the Japanese economy remained mired in recession, as a lack of confidence in the financial system and concerns regarding the labor situation resulted in curtailed private-sector capital investment and further deterioration in consumer spending.

Weakened demand resulting from the poor economic climate, corporate cost-cutting efforts, and declining prices amid intensified competition created an extremely harsh operating environment in the business forms industry. Against this backdrop, Toppan Forms worked to incorporate even more added value into its products and services by developing and improving products in line with market needs while strengthening its planning and proposal capabilities.

Consolidated net sales declined 0.5% year on year, to ¥175.8 billion (\$1,453 million). In our core area of business forms, sales volume remained level with fiscal 1998, but price declines had a large negative impact. Nevertheless, sales in our DPS (Data Print Services) operations remained firm, as this business developed further into an engine for future growth. Consolidated operating profit was down 10.5%, to ¥15.3 billion (\$126 million), but consolidated net income increased 8.7%, to ¥7.8 billion (\$65 million), due partly to revisions in the corporate tax law. With net income per share of ¥68.04 (\$0.56), we increased our cash dividends per share for the year under review by ¥2.00, to ¥17.00 (\$0.14).

The Company's return on assets for the year was 6.2%, and return on equity was 10.8%.

### Fiscal 1999 topics

In July 1998, our newly automated Kawamoto Plant came on stream. The total investment in upgrading the plant amounted to ¥3.7 billion (\$31 million). This step is part of our specialization and rationalization strategies, which are aimed at reorganizing our production facilities to boost DPS handling capacity and efficiency at our Fussa Plant. The Fussa Plant became the first Japanese facility dedicated to DPS to earn ISO 9002 certification, further enhancing our quality assurance structure.

In November 1998, to respond to diversifying distribution needs and to improve services while reducing costs, we spun off our distribution division to create a new independent company. We are confident that this move will not only enable us to obtain a clearer picture of distribution costs, but that it will also contribute to better operating efficiency over the medium-to-long term.

In December 1998, we acquired land at the Shiodome development site formerly belonging to Japanese National Railways. We are planning to construct our own building on the site in four years, with the aim of consolidating operations that are currently situated in various Tokyo locations and providing a home for our comprehensive IMS (Information Management Services) business.

### Advanced capabilities and sensitivity to customer needs

Since the establishment of Toppan Forms in 1955, the Company has constantly maintained a customer-sensitive approach. With this in mind, we have been working to create new businesses

and expand our operating base by "developing products from the seeds of dedicated service" and "pursuing quality in our products and efficiency in our production systems." The establishment of marketing, production, and distribution structures that are attuned to regional requirements and the development of automated systems for manufacturing and marketing have been part of our efforts to maintain our philosophy. Furthermore, from a management perspective, we have introduced computer systems with the aim of enhancing the efficiency of our operations, from production to marketing. These systems allow us to meet a diverse range of needs, including those for multi-product, small-lot production, while ensuring high quality, competitive costs, and speedy delivery. Thus, we have organically linked our advanced capabilities with a sensitivity to customers; this is what has secured our position as the leader in the business forms industry.

#### DPS and IMS Businesses

For more than 10 years, we have been working to develop our DPS business, which involves organizing, printing, processing, and delivering data entrusted to us by customers. This field has rapidly expanded as the outsourcing and personalization of information services have spread, and DPS business is now playing a key role in the Company's success. This high-value-added information business allows us to combine our rich background in business forms with our in-house-developed database management skills and has become a core of our operations.

IMS business gives us the chance to leverage the expertise in information management that we have gained through DPS operations to electronic and cyber media, including non-paper media like CD-ROMs as well as the Internet. At the same time, our business forms know-how can be applied to electronic forms, so that we can provide knowledge management solutions for a digital age. IMS business is only beginning to emerge, but this field offers the potential for us to make the most of our technologies and experience, and we intend to aggressively pursue the opportunities that are at stake.

#### Comprehensive information management services

We believe that we will continue to see structural changes in demand in the business forms market over the medium-to-long term, as electronic media become more widely used and network infrastructures expand. However, we are confident that we can tap latent demand by providing new types of high-value-added forms that offer the convenience and stability of paper media and still respond to the new era's requirements for ecological soundness, security, and economy.

In our DPS operations, we anticipate significant further growth as we introduce higher-value-added services for organizing and processing all kinds of information, including graphs and color images as well as text and numerical data. Also, we are working to expand our capabilities to respond to One-to-One marketing needs with DOD (digital print on demand) facilities and technologies.

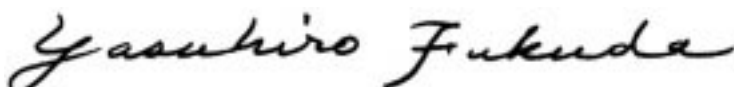
Finally, in addition to bolstering our existing activities, we are pursuing the swift development of IMS business with the aim of establishing a three-pillar structure for our core operations—based on business forms, DPS, and IMS businesses—to strengthen our position as the leader in these fields. To this end, we are forging organic links that bind our vast experience, our advanced technologies, and our data processing skills to provide Integrated Information Management Services (IIMS) that are tailored to the business strategies of our customers.

#### Outlook

There have been few signs of economic recovery in Japan during the first quarter of fiscal 2000, and we expect that operating conditions will remain harsh and markets will become even more competitive. Amid such circumstances, we must strive to improve the efficiency of our business operations while focusing our strengths in planning, development, production, and technologies on the achievement of sustained growth.

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

June 1999



Yasuhiro Fukuda  
President and Representative Director

# Review of Operations

## PRINTING BUSINESS

Toppan Forms' operations in the printing business represent the Company's core activities, including card printing and DOD (digital print on demand), and are divided into two main categories: Business Forms and Data Print Services (DPS). During fiscal 1999, despite solid results from DPS business, total sales in Printing Business operations edged up just 0.1% from the previous year, to ¥128.7 billion (\$1,063 million), accounting for 78.6% of the Company's net sales.

### BUSINESS FORMS

Sales in the Business Forms division decreased 1.8% year on year, to ¥103.2 billion (\$853 million). This division comprises three product categories: business forms, DOD and related printing of general-purpose items and envelopes, and others. Sales were up from the previous year in both of the latter two categories.

**Business forms** are the mainstay of the Company's operations, accounting for 53.5% of net sales in the fiscal year under review. Toppan Forms is the undisputed leader in this field, responding to all sorts of business needs with a wide array of products, ranging from conventional forms to high-value-added forms with a variety of specialized functions. However, due to the trends toward office computer networks and electronic communications, as well as the prolonged slump in the Japanese economy and intensified price competition, the value of business forms sales declined 4.6% from the previous fiscal year.

Against this backdrop, the Company still achieved double-digit growth in sales of security forms that prevent tampering or information leaks and high-value-added forms with functions aimed at meeting modern requirements for ecological soundness and cost saving.

Sales of POSTEX® and other mailing forms rose 16.3% from the previous year. Sales of label forms, used for distribution and marketing promotions, were up 10.5%. EX forms, which can be used in place of transport slips, and security forms saw year-on-year sales increases of 29.6% and 41.6%, respectively.

Newly developed business forms introduced during the year under review included the waterproof POSTEX®, the Joint Form®, information cards made from the environmentally sustainable material bagasse (sugar cane fiber), POSTEX® III, and transparent packets for medicines.

Toppan Forms recorded good results from **related printing**, which covers DOD operations as well as the printing of envelopes and such items as catalogs and pamphlets for direct mailing. Sales in this category were up 24.6% year on year. In DOD business, in response to the increasing personalization of printing activities, for such purposes as One-to-One marketing, Toppan Forms offers direct, full-color printing from DTP data, providing small-lot production of pamphlets and



POSTEX® III

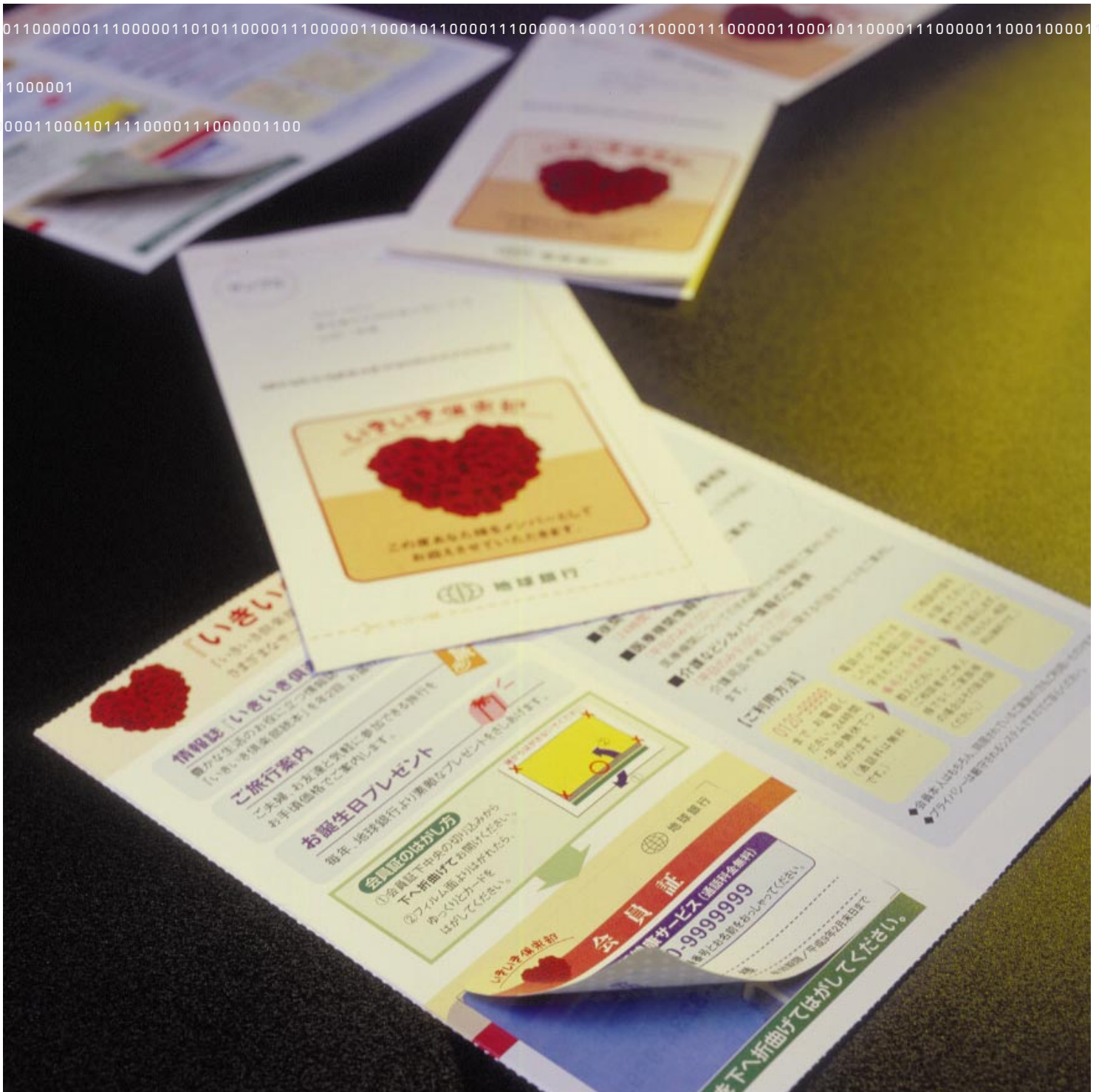


Security Forms



EM Half Laminated Cards

The ratios of consolidated to non-consolidated net sales and net income were 1.07 times and 1.02 times, respectively. Non-consolidated figures have been used in this review of operations.



## Development of Transparent Medical Prescription Packets

In response to new informed-consent regulations governing the use of pharmaceuticals, Toppan Forms has developed a transparent envelope for packaging medicines, which was introduced into the market in January 1999. The transparent packet ensures that the contents are visible, and directions and warnings related to ingredients, dosage, use, potential side effects, and handling can be printed directly on the package with an ink-jet printer. A photograph of the appropriate pills or tablets may also be printed on the envelope. This type of packaging should reduce the time required to provide explanations to patients and the chances of misuse. Toppan Forms is marketing these packets to hospitals, pharmacies, and wholesalers of medical goods throughout Japan.



Transparent Medical Prescription Packets

presentation materials quickly and inexpensively. While the field is not yet fully developed, it has high growth potential, and the Company intends to aggressively pursue marketing activities in this area in the current fiscal year.

Sales in the **others** category, about one-third of which comprise various types of cards, grew 4.3% from the fiscal 1998 level. Recognizing that magnetic and IC cards are simply a kind of business form used with information devices, Toppan Forms has been developing operations in this field. The Company also offers a variety of card-related services, including consulting on card business and systems development. New products in the others category include Fine Rewrite IC Cards, which are the first cards in Japan to realize enhanced data readability through the use of a special blue ink, and EM (Ecology Material) Half Laminated Cards, which utilize a biodegradable plastic.

### DPS (DATA PRINT SERVICES)

Toppan Forms' DPS business comprises total support services for customers that entrust the Company with data for organizing and processing, including inputting the data into business forms, envelope insertion and sealing, and mailing. These operations continued to perform well during fiscal 1999, posting a 9.1% year-on-year increase in sales, to ¥25.5 billion (\$211 million), and secured a place as an engine for growth.

Toppan Forms has a head start on other companies in DPS business thanks to its rich experience and expertise in the business forms field. With its in-house-developed systems and know-how, the Company is able to offer the most advanced services in the industry. Furthermore, Toppan Forms boasts the flexibility to respond to tight deadlines and security systems to ensure the integrity of data received from its valued customers, enabling the Company to offer efficient and safe outsourcing services. The Company is expanding its facilities to support this key area of operations and working to boost its DPS capacity.

DPS business can be broadly divided into business mail and direct mail categories. The business mail category covers support for customer companies' internal administrative processes, including billing, invoicing, and various types of notification; these services aim to meet the outsourcing needs of companies wishing to raise the efficiency of their business procedures. Such activities have seen particular growth on behalf of communications carriers, whose volume of business mail has increased with the rising use of cellular telephones. Demand is likely to expand further among banks and securities companies as Big Bang financial reforms go into effect. The direct mail category comprises services related to corporate marketing needs, such as sales promotions and membership drives, and includes printing technologies and equipment for addressing, stuffing, and mailing envelopes as well as image-processing know-how and other original techniques. Toppan Forms' outstanding planning and design capabilities add extra value, as the Company works to provide direct mail materials that ensure a high level of response.

Toppan Forms not only offers a wide range of business forms but also makes active proposals for appropriate systems combining original software and hardware, thus providing integrated services related to business forms. Also, the Company is pursuing R&D aimed at creating an ideal environment for a multimedia age, in which paper media and electronic media can coexist. With its eyes on the next generation of business forms, Toppan Forms is making rapid advances in research.



POSTEX® ECO



Mail-One Multi



D-EFE





## DPS Asset Management Reports



In December 1998, Toppan Forms began offering a new personalized color graph service with the aim of strengthening and accelerating the growth of its DPS business. With this service, the Company makes appropriate variable data definitions for graphs and charts, and edits and processes data entrusted by customers—converting it to image data, for example—to produce reports with individualized content and of varying sizes. Toppan Forms expects to see expanding orders from financial institutions, which can use this service for individualized asset management reports, and from educational institutions, which can use it for students' report cards.



Asset Management Reports

## OTHER PRODUCTS AND SERVICES

In addition to its printing business, Toppan Forms is involved in various other activities, including equipment, supplies, and services. Each of these sections supports the Company's mainstay printing operations by enhancing customer convenience. Sales from other products and services operations rose 3.9% year on year, to ¥35.0 billion (\$289 million)

### Equipment

In its equipment operations, Toppan Forms handles various machinery that supplements its main products, such as business forms and cards, from a hardware aspect. One of the Company's strengths is its proposal-based marketing, which aims to sell total systems, including combinations of equipment and forms. During fiscal 1999, steady sales of labor-saving equipment, including expanded sales of high-speed collation systems to retailers and envelope inserting and sealing equipment to financial institutions, resulted in a 3.7% year-on-year increase in equipment sales, to ¥6.4 billion (\$53 million).

Other equipment handled by Toppan Forms includes sealers that turn pre-printed forms into envelopes and postcards, detachers for separating pages of forms printed in long continuous formats, printing and posting systems for delivery slips, and automated paper feeders for high-speed printers.

Toppan Forms also sells card processing machines as well as computer-controlled automated (CCA, or Computer Center Automation) warehousing systems that utilize the know-how developed at the Company's own distribution centers.

### Supplies

Toppan Forms markets a wide variety of office supplies. These include various supplementary products, such as office furniture, paper, toner, and magnetic media. The Company also recycles toner cartridges. In an increasingly competitive environment, Toppan Forms worked to expand sales of office paper products and recycled products, with the result that sales of supplies in this area rose 1.4% during the fiscal year under review, to ¥17.9 billion (\$148 million).

### Services

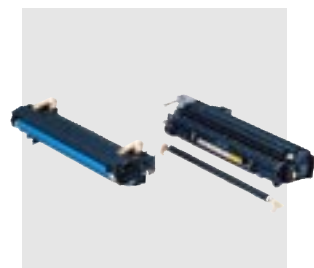
These operations principally involve dispatching personnel on an outsourcing basis to aid clients in developing, managing, and maintaining their information systems. All activities in this area are handled by wholly owned subsidiary Toppan Forms Operation Co., Ltd. Financial institutions and other corporations increased their outsourcing activities. With this trend, Toppan Forms' expanded commission business for computer management personnel, as well as the development of new multimedia-related business, supported an 8.5% rise in total sales, to ¥10.6 billion (\$88 million).



PRESSLE® Multi



Confia 7200

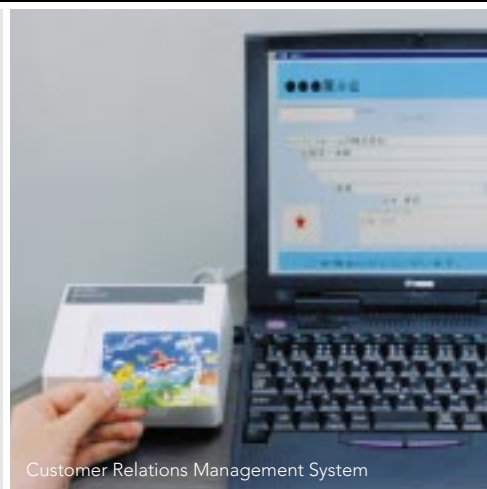


Toner Cartridges



## Customer Relations Management Systems

Toppan Forms' non-contact IC cards, related equipment, and systems management and other software are all part of the Company's comprehensive support for Customer Relations Management Systems, which are used to register attendees and gather response data at events, shows, or seminars held as part of corporate marketing activities. The data collected through these systems is used to gauge the effectiveness of events and to enhance event management and other marketing strategies. Toppan Forms is also aggressively marketing related products and services, including the preparation of invitations by its DPS operations, to corporate planning and marketing divisions and event promotion companies.



Customer Relations Management System

## NEW BUSINESS

Not content with its position as the leader in business forms, Toppan Forms is using its experience and expertise in that field to expand into challenging new business areas. The Company's strategies have designated IMS (Information Management Services) a target field for growth in the 21st century, and this is the top priority of future R&D efforts. The goal is to make IMS business into another pillar of operations. In these new business operations, Toppan Forms aims to provide comprehensive services to support product proposals with applications that merge new media, card functions, electronic media, and peripheral equipment. The planning and management know-how in business forms accumulated by the Company over many years of experience with principally paper media, as well as its database management systems technologies, should be great strengths in emerging new markets.

Under Toppan Forms' Cyber DM System, the address of a dedicated server and an individualized ID number and password are included in ordinary direct mailings. The recipient can then access the server using the ID number and password to view a customized homepage. Not only does the Cyber DM System provide the recipient with a large amount of information, but a record of his or her access is stored in a database, thus allowing an efficient method for gathering customer information.

With Toppan Forms' Hyper DM System, a CD-ROM is used rather than paper. CD-ROMs can store a great deal more data than can be printed and mailed on paper media. Furthermore, they can provide Internet links that enable a higher level of interactivity in communication between companies and their potential customers. Also, the inclusion of voice and animated images can add significantly to the advertising impact of direct mailings. The electronic catalogs prepared on CD-ROM for Hyper DM mailings are sent out in personalized printed jackets.

Among other products, Customer Relations Management Systems are an example of applications for non-contact IC cards, while the Company's Electronic Rulebook for banks are important pieces of software for promoting knowledge management solutions.

Toppan Forms also plans to actively develop business in electronic forms and work flow solutions in partnership with JetForm Corporation, of Canada.



JetForm



Cyber DM



Hyper DM

## Electronic Rulebook for Front-Office Banking Operations

In January 1999, Toppan Forms introduced its "Electronic Rulebook for Front-Office Banking Operations," a software guide aimed at helping banks make their branches' front-office operations and after-sales services smoother and their customer service better. Toppan Forms views the transfer of printed materials and forms to electronic versions as a significant opportunity, and it is actively seeking to develop activities in this area.



Electronic Rulebook



Waterproof POSTEX®



Bagasse Form Paper

## RESEARCH AND DEVELOPMENT

Toppan Forms' R&D operations began with the introduction of advanced technologies from Moore Corporation Limited, of Canada, but since that time the Company has independently pursued an aggressive program of technology development, allowing the creation of the superior products that have driven its growth. The basic thrust of Toppan Forms' product development activities is always customer-oriented, and the Company's R&D units work in close cooperation with planning and marketing divisions. As a result, R&D activities are attuned to market needs and the resulting products provide added value for customers. About 3.2% of Toppan Forms' total employees are involved in R&D, and the Company spent ¥1.9 billion (\$16 million) on these activities in fiscal 1999. Furthermore, the Company has established a base in Silicon Valley, in the United States, that enables it to keep abreast of the latest advanced technologies.

Toppan Forms' R&D ranges from basic research into materials used in the Company's products to product development, equipment improvement, and data processing and printing technologies. The Company also actively promotes cooperative R&D with various corporations, universities, and research institutions.

In tandem with its development of new IMS business, Toppan Forms is conducting research related to multimedia, the Internet, and IC chips, with the goal of finding new applications for its well-developed expertise in forms design and management and systems technologies for database management.

## NETWORK

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

The Company maintains 59 sales offices throughout Japan, mainly situated in major cities. Marketing and support staff are not only knowledgeable regarding the Company's business forms but also with systems and marketing strategies, so that they are able to represent Toppan Forms' outstanding products and services through proposal-based marketing activities that respond to customer needs.

Toppan Forms has eight main plants, two of which are operated by Toppan Forms (Hamamatsu Co., Ltd.), where production is concentrated according to the types of forms being manufactured. There are nine service plants (four operated by subsidiaries), whose mission is to meet demand within certain regions, and two specialized plants that produce only specified products.

The output of these facilities is sent to customers through the Company's distribution operations, which comprise seven distribution centers (four of which are operated by Toppan Forms Logistics and Services Co., Ltd.) and 23 warehouses.

Toppan Forms' domestic subsidiaries comprise five manufacturing companies and four companies that market and distribute products as well as provide after-sales service, including DPS and equipment maintenance. Toppan Forms thus acts as the core of a powerful integrated information service enterprise.

Overseas, the Company has 10 subsidiaries in Asia and is building up its production and marketing structure in various countries and regions.



## Financial Section

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# Financial Review

## OVERVIEW OF OPERATIONS

In fiscal 1999, ended March 31, 1999, the Japanese economy remained mired in a slump due to lack of confidence in the financial system and weakened private-sector capital investment. In the business forms industry, slack demand and intensified price competition meant the continuation of harsh operating conditions. Against this backdrop, Toppan Forms achieved profit growth by pursuing aggressive proposal-based marketing and product development attuned to market needs.

## INCOME AND EXPENSES

Consolidated net sales slipped 0.5% year on year in fiscal 1999, to ¥175.8 billion (\$1,453 million). Of this total, the Company's Printing Business sales accounted for 78.5%, or ¥137.9 billion (\$1,140 million), down 1.7% from the previous year. Solid performances were posted by high-value-added business forms, including those with security functions and ecologically sound characteristics, as well as by mailing forms. However, weakened conditions and markets resulted in price declines that severely hampered sales of conventional forms. Toppan Forms continued to see good results from its DPS operations, where sales were up 9.1% year on year, to ¥25.5 billion (\$211 million). This was achieved thanks to active proposal-based marketing of rationalization plans in response to increased corporate outsourcing activities.

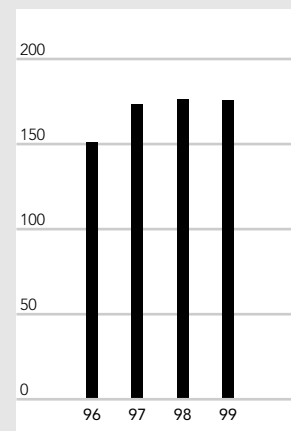
Sales in Toppan Forms' Other Businesses operations increased 4.5% during the year under review, to ¥37.9 billion (\$313 million). These operations comprise sales of equipment and supplies as well as the provision of services related to the development, management, and maintenance of information systems. During fiscal 1999, the Company posted strong results from its equipment and services operations in particular.

Toppan Forms' cost of sales rose 1.4% from the previous year, to ¥127.4 billion (\$1,053 million). Despite a softening paper market that resulted in lower materials costs, the burden of operating costs at the Company's new Kawamoto Plant caused the increase. Consequently, gross profit declined 5.1% year on year, to ¥48.4 billion (\$400 million), and the gross profit margin narrowed by 1.3 percentage points, to 27.5%.

Selling, general and administrative expenses were down 2.3% during the year under review, to ¥33.1 billion (\$274 million). This was largely the result of cost-cutting efforts aimed at rationalizing operations.

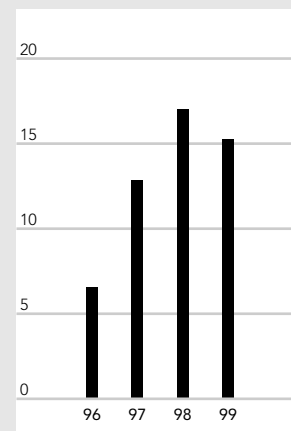
## NET SALES

(Billions of Yen)

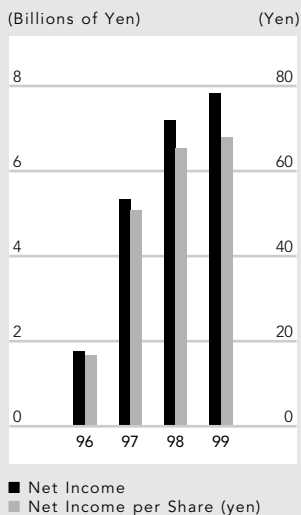


## OPERATING PROFIT

(Billions of Yen)



## NET INCOME



Operating profit fell 10.5% year on year, to ¥15.3 billion (\$126 million).

Other income was down 4.1% from fiscal 1998, to ¥1.1 billion (\$9 million), but other expenses were reduced by 40.5%, to ¥1.0 billion (\$8 million). Consequently, the balance of other income and expenses thus improved from net other expenses of ¥506 million in fiscal 1998 to net other income of ¥123 million (\$1 million) in fiscal 1999. The main factors in this improvement were the absence of expenses associated with a corporate name change and the public listing of shares that were incurred in fiscal 1998, as well as a drop in interest expense accompanying a decline in borrowings during the year under review.

As a result of the aforementioned factors, income before income taxes fell 7.0% during the year, to ¥15.4 billion (\$127 million).

Consolidated net income rose 8.7% year on year, to ¥7.8 billion (\$65 million), thanks to a reduction in the income tax rate. Net income per share reached ¥68.04 (\$0.56).

Due to the fact that fiscal 1998's capital increase boosted shareholders' equity, Toppan Forms' return on equity (ROE) declined from 12.0% to 10.8%, but return on assets (ROA) improved from 6.1% to 6.2%.

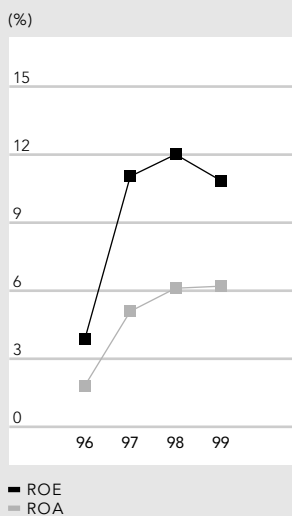
## DIVIDEND POLICY

Toppan Forms determines its dividends with appropriate consideration for both corporate performance and payout ratio with the aim of ensuring stable returns to its shareholders.

The Company raised its per-share dividend applicable to the year by ¥2.00 (\$0.02), from ¥15.00 in fiscal 1998 to ¥17.00 (\$0.14) in fiscal 1999. As a result, the non-consolidated payout ratio increased to 25.4%.

Toppan Forms is committed to continued efforts to provide dividends based on a stable payout ratio while strengthening its financial structure, thus actively returning profits to its shareholders.

## ROE AND ROA



## FINANCIAL POSITION

At the end of fiscal 1999, Toppan Forms' total assets stood at ¥126.8 billion (\$1,048 million), up 0.9% from a year earlier. In current assets, cash and cash equivalents declined, mainly due to payments for the acquisition of the new Head Office site. On the other hand, fixed assets climbed 15.6% year on year, to ¥66.5 billion (\$549 million), as a result of the aforementioned acquisition and the addition of new production facilities.

Total liabilities at the end of fiscal 1999 were down 8.3% from the previous fiscal year-end, to ¥51.2 billion (\$423 million). In current liabilities, notes payable for construction dropped substantially due to the settlement of notes associated

with the Kawamoto Plant. In short-term borrowings, the Company worked to enhance the efficiency of its funds by repaying the borrowings of its overseas subsidiaries. Consequently, the aggregate balance of interest-bearing debt at the end of fiscal 1999 (including long-term debt) declined 37.7% from a year earlier, to ¥1.2 billion (\$10 million).

Due to profit growth posted during the year under review, shareholders' equity expanded 8.5%, to ¥75.1 billion (\$620 million) at year end. The net asset value per share at the end of the year was ¥652.69 (\$5.39), compared with ¥601.59 at the end of fiscal 1998. The equity ratio increased from 55.0% to 59.2%.

### CASH FLOW

During fiscal 1999, net cash provided by operating activities rose 44.4% year on year, to ¥14.3 billion (\$118 million), due mainly to the increase in net income and a decline in notes and accounts receivable for trade.

Net cash used in investing activities was up 31.2% from the previous year, to ¥18.9 billion (\$156 million). This was largely because of payments for the acquisition of land for the Company's new Head Office building.

Net cash used in financing activities was ¥2.5 billion (\$21 million) in fiscal 1999, compared with net cash of ¥2.7 billion provided by financing activities in the previous year. This reflected the cash raised through the issuance of new shares in fiscal 1998.

Consequently, at the end of fiscal 1999, cash and cash equivalents stood at ¥11.0 billion (\$91 million), down 39.3% from ¥18.1 billion at the previous fiscal year end.

### YEAR 2000 (Y2K) ISSUE

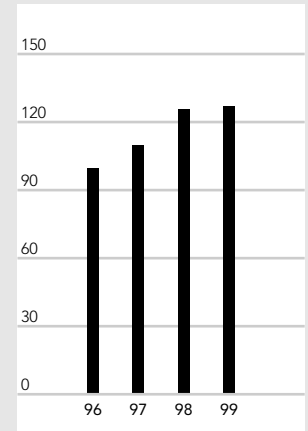
Recognizing the potential impact of the Y2K problem on operations, in 1998 Toppan Forms established its Computer Y2K Countermeasure Committee. This committee has been working to ensure that the Company's products and services, as well as internal administrative, production, and distribution systems, are Y2K compliant. Measures toward this end for all systems are scheduled to be implemented by September 1999.

Toppan Forms also anticipates that the new millennium will bring with it a number of changes in operating conditions. To prepare for the potential impact and ensure responsiveness to new challenges, the Company developed a Crisis Management Plan to investigate specific strategies by the end of June 1999.

Expenses related to Y2K preparations and countermeasures are estimated at about ¥200 million. However, these precautions should ensure that the impact of the turn of the millennium on Toppan Forms' operations is kept to a minimum.

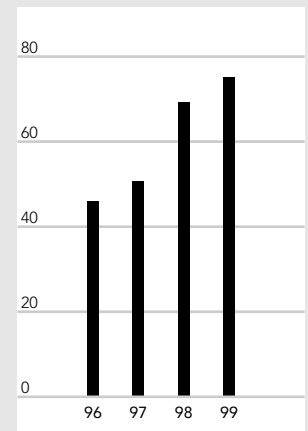
### TOTAL ASSETS

(Billions of Yen)



### SHAREHOLDERS' EQUITY

(Billions of Yen)



# Consolidated Balance Sheets

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	1997	1998	1999	1999
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	¥ 19,905	¥ 18,145	¥ 11,011	\$ 91,000
Marketable securities (Note 3)	708	–	505	4,173
Notes and accounts receivable:				
Trade	33,124	34,729	33,085	273,430
Unconsolidated subsidiaries and affiliates	26	7	2	16
Inventories (Note 4)	11,865	12,507	12,571	103,893
Deferred income taxes (Note 9)	–	883	715	5,909
Other current assets	1,277	1,623	1,906	15,752
Total current assets	66,905	67,894	59,795	494,173
<b>Fixed assets:</b>				
Property, plant and equipment:				
Land	3,242	7,630	16,953	140,107
Buildings and facilities	18,895	23,604	27,103	223,992
Machinery, equipment and vehicles	45,736	49,221	51,788	428,000
Tools and furniture	8,580	10,012	10,134	83,752
Construction in progress	617	2,581	518	4,281
	77,070	93,048	106,496	880,132
Less: Accumulated depreciation	(51,670)	(54,880)	(58,161)	(480,669)
Property, plant and equipment, net	25,400	38,168	48,335	399,463
Investment securities and other assets:				
Investment securities (Note 3)	4,128	5,787	5,556	45,917
Leasehold deposits	5,535	5,185	5,233	43,248
Insurance funds	4,992	5,242	4,458	36,843
Deferred income taxes (Note 9)	–	1,015	760	6,281
Other assets	2,724	2,129	2,143	17,711
Total investment securities and other assets	17,379	19,358	18,150	150,000
Total fixed assets	42,779	57,526	66,485	549,463
<b>Foreign currency translation adjustment</b>	198	310	559	4,620
<b>Total assets</b>	<b>¥109,882</b>	<b>¥125,730</b>	<b>¥126,839</b>	<b>\$1,048,256</b>

The accompanying notes are an integral part of these statements.

March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	1997	1998	1999	1999
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Short-term borrowings (Note 5)	¥ 7,772	¥ 1,907	¥ 1,101	\$ 9,099
Notes and accounts payable:				
Trade	30,687	30,574	31,102	257,041
Construction	1,631	5,568	2,254	18,628
Accrued income taxes (Note 9)	5,645	5,321	4,287	35,430
Accrued bonuses to employees	4,293	4,344	4,332	35,802
Other current liabilities	6,547	6,609	7,075	58,471
Total current liabilities	56,575	54,323	50,151	414,471
<b>Long-term liabilities:</b>				
Long-term debt (Note 5)	1,009	63	126	1,041
Accrued severance indemnities (Note 6)	465	563	599	4,950
Deferred income taxes (Note 9)	–	866	231	1,909
Other long-term liabilities	240	38	94	777
Total long-term liabilities	1,714	1,530	1,050	8,677
<b>Minority interest in consolidated subsidiaries</b>	911	695	578	4,777
<b>Shareholders' equity (Note 7):</b>				
Common stock, par value ¥500 as of March 31, 1997, and par value ¥50 as of March 31, 1998 and 1999				
Authorized: 40,000,000 shares as of March 31, 1997, and 400,000,000 shares as of March 31, 1998 and 1999				
Issued: 10,500,000 shares as of March 31, 1997, and 115,000,000 shares as of March 31, 1998 and 1999	7,500	11,750	11,750	97,107
Additional paid-in capital	2,500	9,270	9,270	76,612
Retained earnings	40,682	48,162	54,041	446,620
	50,682	69,182	75,061	620,339
Treasury stock, at cost				
1999: 400 shares	–	–	(1)	(8)
Total shareholders' equity	50,682	69,182	75,060	620,331
<b>Contingent liabilities (Note 12)</b>				
Total liabilities and shareholders' equity	¥109,882	¥125,730	¥126,839	\$1,048,256



## Consolidated Statements of Shareholders' Equity

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	1997	1998	1999	1999
<b>Common stock:</b>				
Beginning of period	¥7,500	¥ 7,500	¥11,750	\$97,107
Add:				
New shares issued (Note 7)	–	4,250	–	–
End of period	¥7,500	¥11,750	¥11,750	\$97,107
<b>Additional paid-in capital:</b>				
Beginning of period	¥2,500	¥2,500	¥9,270	\$76,612
Add:				
New shares issued (Note 7)	–	6,770	–	–
End of period	¥2,500	¥9,270	¥9,270	\$76,612
<b>Retained earnings:</b>				
Beginning of period	¥35,968	¥40,682	¥48,162	\$398,033
Add:				
Net income	5,335	7,197	7,825	64,669
Increase of consolidated subsidiaries	336	–	–	–
Increase due to change of method of accounting for income taxes	–	1,744	–	–
Deduct:				
Cash dividends paid	840	1,365	1,840	15,206
Bonuses to directors	117	96	106	876
End of period	¥40,682	¥48,162	¥54,041	\$446,620
<b>Treasury stock at cost:</b>				
Beginning of period	¥ –	¥ –	¥ –	\$ –
Net change resulting from purchase and sales of fractional shares of less than "One Unit" as defined by the Japanese Commercial Code	–	–	(1)	(8)
End of period	¥ –	¥ –	(¥1)	(\$ 8)

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	1997	1998	1999	1999
<b>Cash flows from operating activities:</b>				
Net income	¥ 5,335	¥ 7,197	¥ 7,825	\$ 64,669
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,302	4,793	5,321	43,976
Deferred income taxes	–	485	(183)	(1,512)
Other	(596)	636	375	3,099
Changes in current assets and liabilities:				
Decrease (increase) in notes and accounts receivable	(4,007)	(1,586)	1,648	13,620
Increase in inventories	(126)	(642)	(64)	(529)
Increase in other current assets	(306)	(346)	(282)	(2,331)
Increase (decrease) in notes and accounts payable	2,204	(113)	528	4,364
Increase (decrease) in accrued income taxes	1,152	(324)	(1,035)	(8,554)
Other	2,866	(185)	182	1,504
Net cash provided by operating activities	11,824	9,915	14,315	118,306
<b>Cash flows from investing activities:</b>				
Acquisition of property, plant and equipment	(3,757)	(13,237)	(19,078)	(157,669)
Proceeds from sales of property, plant and equipment	97	85	33	273
Acquisition of investment securities	(677)	(3,044)	(195)	(1,612)
Proceeds from sales and acquisition of securities	101	1,070	(505)	(4,174)
Decrease (increase) in leasehold deposits	60	332	(51)	(421)
Redemption from and payment in insurance funds	(1,227)	(250)	988	8,165
Other	706	621	(121)	(1,000)
Net cash used in investing activities	(4,697)	(14,423)	(18,929)	(156,438)
<b>Cash flows from financing activities:</b>				
Decrease in short-term borrowings	(1,522)	(5,865)	(624)	(5,157)
Increase (decrease) in long-term debt	(30)	(946)	51	421
Proceeds from issuance of common stock	–	11,020	–	–
Dividends paid	(840)	(1,365)	(1,840)	(15,206)
Other	(117)	(96)	(107)	(885)
Net cash provided by (used in) financing activities	(2,509)	2,748	(2,520)	(20,827)
<b>Net increase (decrease) in cash and cash equivalents</b>	4,618	(1,760)	(7,134)	(58,959)
<b>Cash and cash equivalents at beginning of year</b>	15,287	19,905	18,145	149,959
<b>Cash and cash equivalents at end of year</b>	¥19,905	¥ 18,145	¥ 11,011	\$ 91,000
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid for:				
Interest expense	¥ 349	¥ 330	¥ 141	\$ 1,165
Income taxes	¥6,440	¥8,752	¥10,058	\$83,124

The accompanying notes are an integral part of these statements.



# Notes to Consolidated Financial Statements

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

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## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the consolidated financial statements of TOPPAN FORMS CO., LTD. (the "Company") filed with the Ministry of Finance in accordance with the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects to the application and disclosure requirement of International Accounting Standards. In addition, consolidated statements of cash flows and shareholders' equity are not required as part of the basic financial statements in Japan but are presented herein as additional information.

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥121=U.S.\$1, the approximate rate of exchange at March 31, 1999. 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.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, all its subsidiaries.

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

The differences between the cost and underlying net equity of investments in subsidiaries and affiliated companies are charged to income at the time of the respective transactions.

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

### (2) Cash and Cash Equivalents

The Company considers time deposits that have original maturities of one year or less to be cash equivalents.

### (3) Marketable and Investment Securities

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

### (4) Inventories

Inventories are stated at cost.

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

### (5) Property, Plant and Equipment and Depreciation

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

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

Due to this change, depreciation for the year ended March 31, 1999, was decreased by ¥67 million (\$554 thousand), and operating profit and income before income taxes for the year ended March 31, 1999, were increased by ¥59 million (\$488 thousand), as compared with the amounts which would have been reported if the previous method had been applied consistently.

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

#### **(6) Accrued Bonuses to Employees**

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

#### **(7) Bonuses to Directors and Statutory Corporate Auditors**

Bonuses to directors and statutory corporate auditors are appropriated from retained earnings following shareholders' approval. These bonuses are generally not deductible for tax purposes.

#### **(8) Severance Indemnities and Pension Plan**

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

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

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

#### **(9) Stock Issue Costs**

Stock issue costs are charged to income as incurred.

#### **(10) Income Taxes**

The provision for income taxes is computed based on the pretax income (loss) included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Until the year ended March 31, 1997, the tax effect of temporary differences between tax and financial reporting purposes was not recognized by the Company and its domestic consolidated subsidiaries. However, such effect was recognized by certain overseas subsidiaries of the Company. Effective April 1, 1997, the Company and its domestic consolidated subsidiaries changed their accounting for income taxes to recognize deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements. Such amounts are subsequently adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse.

The Company adopted this change in accounting in order to establish a corporate-wide policy and also to more comprehensively recognize the tax effect of transactional activities already reflected in the financial statements.

Due to this change, net income for the year ended March 31, 1998, was decreased by ¥507 million, and retained earnings at March 31, 1998, were increased by ¥1,237 million, as compared with the amounts which would have been reported if the previous method had been applied consistently.

#### **(11) Leases**

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

### (12) Appropriations of Retained Earnings

Appropriations of retained earnings at year end are reflected in the financial statements of the following year upon shareholders' approval.

### (13) Foreign Currency Translation

The assets, liabilities, income and expenses of foreign subsidiaries are translated into Japanese yen at applicable current rates at year end. The effects of these translation adjustments are reported as a foreign currency translation adjustment in assets or liabilities. Exchange gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in the consolidated statements of income.

### (14) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 1997 and 1998, have been made to conform to the presentation in the year ended March 31, 1999.

## 3. MARKETABLE AND INVESTMENT SECURITIES

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

March 31	Millions of yen								
	1997			1998			1999		
	Book value	Fair value	Unrealized gains	Book value	Fair value	Unrealized gains	Book value	Fair value	Unrealized gains
<b>Marketable securities:</b>									
Equity securities	¥ 660	¥ 722	¥ 62	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Debt securities and others	48	56	8	-	-	-	505	505	-
	708	778	70	-	-	-	505	505	-
<b>Investment securities:</b>									
Equity securities	3,960	4,759	799	5,787	6,940	1,153	5,556	7,536	1,980
Debt securities and others	168	185	17	-	-	-	-	-	-
	4,128	4,944	816	5,787	6,940	1,153	5,556	7,536	1,980
Total	¥4,836	¥5,722	¥886	¥5,787	¥6,940	¥1,153	¥6,061	¥8,041	¥1,980

March 31	Thousands of U.S. dollars		
	Book value	Fair value	Unrealized gains
<b>Marketable securities:</b>			
Equity securities	\$ -	\$ -	\$ -
Debt securities and others	4,173	4,173	-
	4,173	4,173	-
<b>Investment securities:</b>			
Equity securities	45,917	62,281	16,364
Debt securities and others	-	-	-
	45,917	62,281	16,364
Total	\$50,090	\$66,454	\$16,364

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#### 4. INVENTORIES

Inventories comprise the following:

March 31	Millions of yen			Thousands of U.S. dollars
	1997	1998	1999	1999
Finished products	¥ 6,574	¥ 7,094	¥ 7,491	\$ 61,909
Purchased finished goods	2,236	2,181	2,117	17,496
Work in process	846	918	868	7,174
Raw materials and supplies	2,209	2,314	2,095	17,314
	¥11,865	¥12,507	¥12,571	\$103,893

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#### 5. BORROWINGS

Short-term borrowings primarily consist of short-term bank loans of certain overseas subsidiaries. The annual interest rates applicable to the short-term bank loans ranged from 2.5 to 10.0 per cent at March 31, 1999.

Long-term debt at March 31, 1999, comprises the following:

	Millions of yen	Thousands of U.S. dollars
<b>Loans from Japanese banks and others:</b>		
Unsecured—2.0 per cent due 2001	¥100	\$ 826
Secured—6.7 per cent due 2000	59	488
Less—Portion due within one year	(33)	(273)
	¥126	\$1,041

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

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2000	¥ 33	\$ 273
2001	26	215
2002	100	826
2003	—	—
2004	—	—
	¥159	\$1,314

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#### 6. SEVERANCE INDEMNITIES AND PENSION PLAN

At March 31, 1999, the undiscounted liability for employee service to that date (vested benefits) for the Company and certain of its domestic consolidated subsidiaries was ¥21,494 million (\$177,636 thousand) based on lump-sum payments to employees retiring on a voluntary basis under the present pension plan. Pension fund assets at that date approximated ¥17,191 million (\$142,074 thousand) at cost.

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#### 7. SHAREHOLDERS' EQUITY

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

The Commercial Code of Japan provides that:

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

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

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. The 1999 year end appropriation of retained earnings of the Company, which was approved at the ordinary general meeting of shareholders held in June 1999, is presented below:

	Millions of yen	Thousands of U.S. dollars
<b>Appropriation for:</b>		
Legal reserve	¥ 111	\$ 917
Cash dividends, ¥9.00 (\$0.07) per share	1,035	8,554
Bonuses to directors	79	653
General reserve	5,500	45,455
	<b>¥6,725</b>	<b>\$55,579</b>

## 8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1997	1998	1999	1999
Salaries and bonuses	¥11,669	¥12,380	<b>¥12,310</b>	<b>\$101,736</b>
Provision for bonuses to employees	2,023	1,578	<b>1,578</b>	<b>13,041</b>
Depreciation	1,371	805	<b>958</b>	<b>7,917</b>
Rent expense	5,254	4,912	<b>4,222</b>	<b>34,893</b>
Freight charges	4,766	4,795	<b>4,966</b>	<b>41,041</b>
Other	9,785	9,419	<b>9,068</b>	<b>74,942</b>
Total	<b>¥34,868</b>	<b>¥33,889</b>	<b>¥33,102</b>	<b>\$273,570</b>

## 9. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in the aggregate, indicate a statutory tax rate in Japan of approximately 48 per cent, which was effective April 1, 1998 (formerly 51 per cent), as a result of the reform of Japanese income tax regulations. Further, effective April 1, 1999, the statutory tax rate in Japan was again reduced to approximately 42 per cent as a result of the reform and such amount has been used in calculating the expected future tax consequences of temporary differences.

## 10. LEASES

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

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

(a) An analysis of leased assets under the financial leases at March 31, 1999, is as follows:

	Millions of yen	Thousands of U.S. dollars
Machinery, equipment and vehicles	¥ 715	\$ 5,909
Tools and furniture	4,852	40,099
Other assets	71	587
Accumulated depreciation	(3,099)	(25,612)
	<u>¥2,539</u>	<u>\$20,983</u>

(b) The future lease payments under the financial leases at March 31, 1998 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1999	1999
Due within one year	¥ 618	¥ 932	\$ 7,703
Due over one year	1,260	2,523	20,851
	<u>¥1,878</u>	<u>¥3,455</u>	<u>\$28,554</u>

(c) Lease expense for the years ended March 31, 1998 and 1999, respectively, and amounts representing depreciation and interest for the year ended March 31, 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1999	1999
Lease expense	¥1,237	¥934	\$7,719
Amount representing depreciation		¥888	\$7,339
Amount representing interest		¥117	\$967

- (2) The minimum lease payments under the Company's operating leases at March 31, 1998 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1999	1999
Due within one year	¥ 712	¥ 550	\$ 4,545
Due over one year	3,186	2,420	20,000
Total minimum lease payments	<u>¥3,898</u>	<u>¥2,970</u>	<u>\$24,545</u>

## 11. PER SHARE INFORMATION

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

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

## 12. CONTINGENT LIABILITIES

The Company is a defendant in several pending lawsuits. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that damages from such lawsuits, if any, would not have a material effect on the Company's consolidated financial statements.

## 13. SEGMENT INFORMATION

### (1) Industry Segments

March 31, 1997	Millions of yen				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
<b>I. Net sales:</b>					
(1) Outside customers	¥140,749	¥32,846	¥173,595	¥ –	¥173,595
(2) Inter-segment	–	295	295	(295)	–
Total	140,749	33,141	173,890	(295)	173,595
Operating expenses	126,021	31,987	158,008	2,724	160,732
Operating profit	¥ 14,728	¥ 1,154	¥ 15,882	(¥ 3,019)	¥ 12,863
<b>II. Assets, depreciation and capital expenditures:</b>					
Assets	¥75,337	¥10,081	¥85,418	¥24,464	¥109,882
Depreciation	4,500	148	4,648	–	4,648
Capital expenditures	5,757	35	5,792	–	5,792

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

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

March 31, 1999	Thousands of U.S. dollars				
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
<b>I. Net sales:</b>					
(1) Outside customers	\$1,139,827	\$313,041	\$1,452,868	\$ -	\$1,452,868
(2) Inter-segment	0	21,711	21,711	(21,711)	-
Total	1,139,827	334,752	1,474,579	(21,711)	1,452,868
Operating expenses	993,884	322,578	1,316,462	10,364	1,326,826
Operating profit	\$ 145,943	\$ 12,174	\$ 158,117	(\$ 32,075)	\$ 126,042
<b>II. Assets, depreciation and capital expenditures:</b>					
Assets	\$737,694	\$171,298	\$908,992	\$139,264	\$1,048,256
Depreciation	41,058	2,917	43,975	-	43,975
Capital expenditures	130,091	198	130,289	-	130,289

Notes:

- a. Segments by business activity are determined by line of product.
- b. Main products of each business activity:
  - (i) Printing business: Printing of business forms and related business.
  - (ii) Other businesses: Sales of supplies and equipment related to printing business, business operating service, delivery service and other.
- c. Until the year ended March 31, 1997, the cut forms business had been classified as "Printing business." Effective April 1, 1997, the Company discontinued manufacturing cut forms. Instead, it has been purchasing them from third-party suppliers and subsequently has been selling them. As a result, the Company reclassified this as "Other businesses." Sales classified as "Printing business" in the year ended March 31, 1997, amounted to ¥3,535 million.
- d. Corporate expenses out of operating expenses mainly include administrative expenses and research and development expenses of the Company.
- e. Corporate assets mainly include short-term deposits and long-term investments of the Company.

(2) Geographic Areas

The sales of the consolidated subsidiaries located in countries or regions other than Japan are not significant.



## Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets of TOPPAN FORMS CO., LTD. and its consolidated subsidiaries as of March 31, 1997, 1998 and 1999, and the related consolidated statements of income, of shareholders' equity and of cash flows for each of the three years in the period ended March 31, 1999, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of TOPPAN FORMS CO., LTD. and its consolidated subsidiaries at March 31, 1997, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1999, in conformity with accounting principles generally accepted in Japan.

As described in Note 2. (10) of the notes to the consolidated financial statements, the Company changed its method of accounting for income taxes during the year ended March 31, 1998.



AOYAMA AUDIT CORPORATION  
(Certified Public Accountants)

June 29, 1999

Notice to Readers:

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

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

## Principal Subsidiaries and Affiliates

(As of June 29, 1999)

Name	Country	Main business	Issued capital (Thousands)	Equity held by the Company (%)
Toppan Forms (Hamamatsu) Co., Ltd.	Japan	Manufacture of business forms	¥ 100,000	100.0
Toppan Forms Operation Co., Ltd.	Japan	Operation and administration of computers	¥ 100,000	100.0
Toppan Forms Process Co., Ltd.	Japan	Processing of business forms and DPS operations	¥ 100,000	100.0
Techno Toppan Forms Co., Ltd.	Japan	Sale, maintenance, and repair of office equipment	¥ 100,000	100.0
Toppan Forms Logistics and Services Co., Ltd.	Japan	Distribution, delivery, and storage services	¥ 50,000	100.0
T.F. Company Limited	Hong Kong	Holding company	HK\$15,000	100.0
Toppan Forms Card Technologies Ltd.	Hong Kong	Manufacture and sale of plastic cards; sale of card-related products	HK\$ 2,000	70.0 <sup>*1</sup>
Toppan Forms (Hong Kong) Ltd.	Hong Kong	Manufacture and sale of business forms; sale of plastic cards, computer supplies, and office automation machines	HK\$10,000	70.0 <sup>*2</sup>
Toppan Forms Computer Systems Ltd.	Hong Kong	Sale of computers, computer-related appliances, and other office appliances; development and sale of software	HK\$ 2,000	100.0 <sup>*3</sup>
Toppan Forms (S) Pte. Ltd. <sup>*4</sup>	Singapore	Manufacture and sale of business forms; sale of machines for processing business forms	S\$ 1,226	100.0 <sup>*5</sup>

Total number of subsidiaries: 19

Total number of affiliates: 7

<sup>\*1</sup> 30.0 percent directly owned by the Company and 40.0 percent indirectly owned through T.F. Company Limited.

<sup>\*2</sup> Indirectly owned through T.F. Company Limited.

<sup>\*3</sup> Wholly owned through Toppan Forms (Hong Kong) Ltd.

<sup>\*4</sup> Computer-Forms Toppan Pte. Ltd. changed its corporate name to Toppan Forms (S) Pte. Ltd. as of April 1, 1998.

<sup>\*5</sup> 52.3 percent directly owned by the Company and 47.7 percent indirectly owned through T.F. Company Limited.  
In May 1997, the Company acquired the remaining outstanding shares.

## Board of Directors

(As of June 29, 1999)

### President and Representative Director

Yasuhiro Fukuda

### Executive Vice President

Takashi Sano

### Senior Managing Director

Masateru Kondo

### Managing Directors

Mineo Nagayasu

Mikihiko Shijo

Shizuka Kurokawa

Masanori Akiyama

Masahiro Seki

### Directors

Kenji Ejima

Masaki Watanabe

Shigeyuki Yasunaga

Ryuji Ouchi

Tadashi Ichii

Tsuneo Mogi

Yoshifusa Enomoto

Hiroshi Miyazaki

Takeo Sugi

Hiroyuki Shimizu

Kazuo Kato

### Standing Statutory Auditor

Michio Kodaira

### Statutory Auditors

Eiichi Kasamatsu (full-time)

Masatsugu Mitsugi

Takeshi Toyama

## Corporate Data

(As of March 31, 1999)

### Head Office

Ochanomizu Square,  
6, Kanda Surugadai 1-chome,  
Chiyoda-ku, Tokyo 101-8303, Japan  
Tel: 03-3259-2417

### Date of Establishment

May 1955

### Shareholders' Equity

¥75,060 million

### Common Stock

Authorized: 400,000,000 shares

Issued: 115,000,000 shares

### Stock Listing

Tokyo Stock Exchange

### Number of Employees

6,818

# TOPPAN FORMS CO.,LTD.

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

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