

TOPPAN FORMS

CHASING CHANGE

Annual Report 2006

PROFILE

Toppan Forms Co., Ltd., was established in 1955 as a pioneer in the business forms industry in Japan. Since that time, the Company has made a major contribution to market growth. The Toppan Forms Group has also been a leader in the field of Data Print Services (DPS) and a broad spectrum of other products and services. With the full-fledged advent of the ubiquitous society under way, Toppan Forms is now expanding its operations to become an integrated information management services company.

The keywords that have run through all of our Company's business operations are: "chasing change." By staying ahead of changes in the industry and combining our original technologies with other advanced technologies, Toppan Forms has continued to bring new value to the industry.

Toppan Forms will continue to stay one step ahead of industry needs with its products and services, opening the way to the future.

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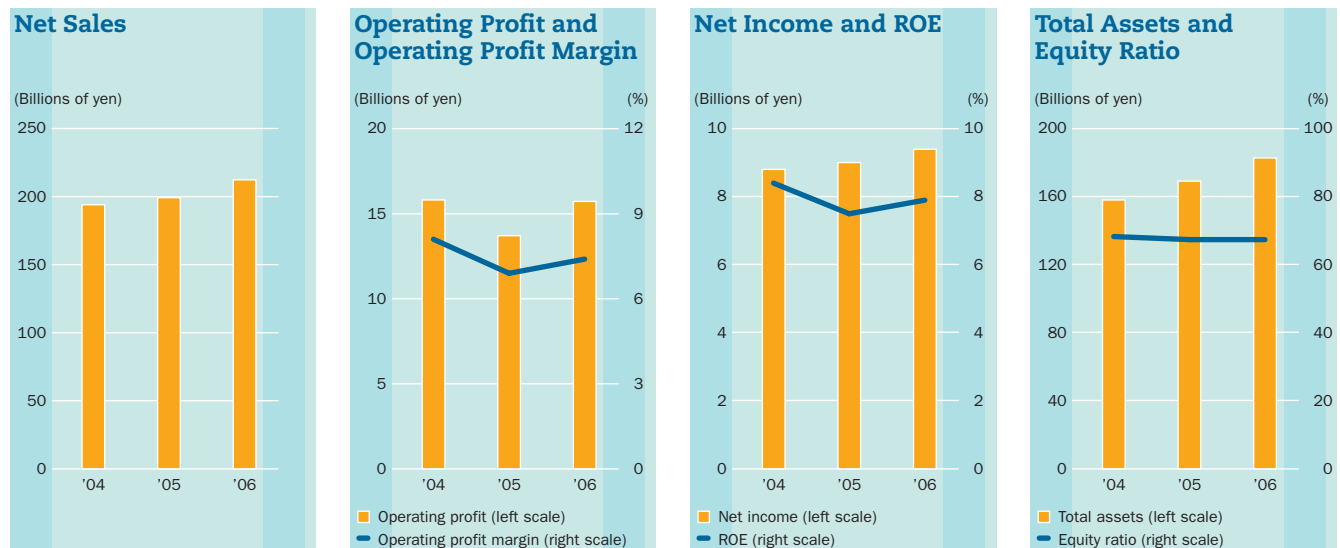
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CONSOLIDATED FINANCIAL HIGHLIGHTS

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
For the year:				
Net sales	¥193,985	¥199,173	¥212,327	\$1,807,496
Operating profit	15,766	13,696	15,717	133,795
Net income	8,763	8,276	9,392	79,952
At year-end:				
Total assets	¥158,077	¥169,070	¥182,705	\$1,555,322
Total shareholders' equity	107,964	113,985	123,426	1,050,705
Per share data (Yen, U.S. dollars):				
Net income:				
Basic	¥75.60	¥71.44	¥81.42	\$0.69
Diluted	—	71.44	81.39	0.69
Cash dividends	23.00	23.00	24.00	0.20
Key ratios (%) :				
Operating profit margin	8.1	6.9	7.4	
ROE	8.4	7.5	7.9	
ROA	5.5	4.9	5.1	

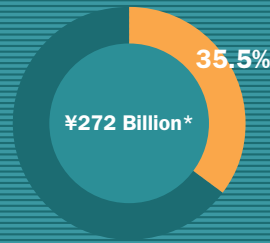
Note: U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥117=U.S.\$1, as at March 31, 2006.



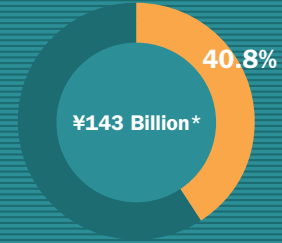
TOPPAN FORMS AT A GLANCE

The Toppan Forms Group is divided into two major business segments: Printing Business operations, comprising Business Forms and Data Print Services (DPS), and Other Businesses, such as Office Supplies. Each segment continues to evolve by challenging new areas, going beyond the borders of its existing business.

Market Scale and Our Share for Business Forms in FY 2006



Market Scale and Our Share for DPS in FY 2006



*Estimated by Toppan Forms Co., Ltd.

PRINTING BUSINESS

The Printing Business segment is divided into the Business Forms Division and the Data Print Services (DPS) Division. Both divisions have a leading share of the domestic market and work together to provide products and services.

BUSINESS FORMS DIVISION



The Business Forms Division is divided into two fields: Business Forms for paper, and Multimedia and IC-Related Products, which transfers these technologies to electronic form. RFID products fall under the latter category.

MAIN PRODUCTS/SERVICES

BUSINESS FORMS DIVISION:

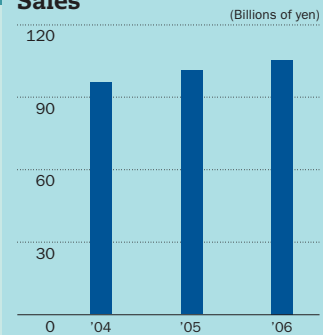
BUSINESS FORMS

- Transport and delivery slips
- Mail-related forms
- POSTEX® sealed postcard series
- Environmentally friendly business forms

MULTIMEDIA AND IC-RELATED PRODUCTS (IMS):

- E-mail related services
- Web-related services
- IC tags, IC cards, and other RFID products

Sales



DATA PRINT SERVICES (DPS)



DPS is an outsourcing service where we edit and format data provided by the client based on the client's instructions, and then print this out, insert it into an envelope, seal the envelope and mail it. With the addition of application development and other related services, DPS now responds to an ever-expanding range of outsourcing needs.

MAIN PRODUCTS/SERVICES

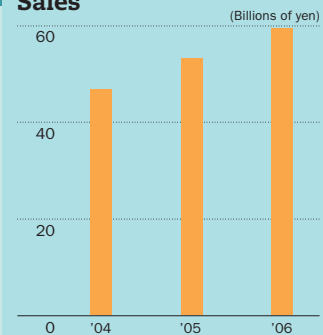
DATA PRINT SERVICES (DPS):

- Business mail for notifications
- DM for sales promotions
- Data Print Services for in-house use

DIGITAL PRINT ON DEMAND (DOD):

- Personalized marketing tools
- Personalized educational materials

Sales



OTHER BUSINESSES



The Other Businesses segment provides a variety of services, from stocking wired offices with office supplies, to the design, manufacture and sale of peripherals and related devices as an adjunct to the Business Forms Division.

MAIN PRODUCTS/SERVICES

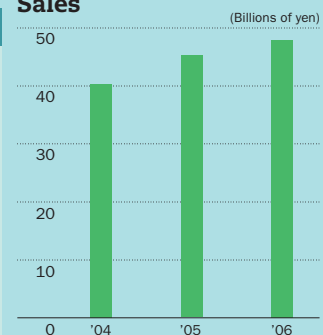
OFFICE SUPPLIES:

- IT-related equipment supplies
- Paper products

EQUIPMENT AND SERVICES:

- Forms processors and system machines
- Dispatch of personnel

Sales





Yasuhiro Fukuda

Yasuhiro Fukuda
Chairman and Representative Director

M. Akiyama

Masanori Akiyama
President and CEO

In the year under review, the Japanese economy showed a gradual recovery fuelled by a combination of expanding capex as a result of improved corporate earnings, and higher consumer spending in the wake of improvements in the employment situation.

In the business forms industry, despite some increased demand related to the passing of the new privacy law, information continued to go digital and become more complex, resulting in reduced demand and lower prices, and consequently the management environment remains difficult.

Amidst these conditions, the Toppan Forms Group reinforced its customer-oriented approach by vigorously pursuing solution proposal-centered business activities and sales of differentiated high value-added products. In the area of new businesses, we attempted to improve our business structure by pursuing rapid business deployment in preparation for the advent of the ubiquitous society. We also vigorously engaged in optimizing and streamlining the entire spectrum of our business activities in order to further expand earnings.

We contributed to environmental conservation by promoting Environmental Management Systems (EMS) and developing and providing ecologically sound products.

As a result of these activities, consolidated results for the Toppan Forms Group in the fiscal year ending March 2006 were as follows: consolidated net sales increased by 6.6% year on year, to ¥212.3 billion; operating income was up by 14.8% year on year, to ¥15.7 billion; and net income increased by 13.5% year on year, to ¥9.4 billion. End-of-term dividends were ¥12.50 per share.

Due to a shift in the demand structure from paper media to electronic media and an anticipated rise in the price of paper, the business environment surrounding the Toppan Forms Group is expected to continue to be challenging in the fiscal year ending March 2007. In this environment, to promote business restructuring, strengthen the corporate structure and improve results, the Toppan Forms Group will continue to create new markets by expanding printing business share and developing new products and services. We look forward to the continued support of shareholders and investors.

June 2006



All of Toppan Forms' business activities can be summarized by one phrase: chasing change. Toppan Forms will continue to pay close attention to changes in the market to create new opportunities for growth.



Masanori Akiyama
President and CEO

Q. | Would you please outline Toppan Forms' fundamental growth strategy?

A. | There is no question that the Business Forms Division has been the platform for Toppan Forms' growth up until now. This division's products, which are the best in the industry in terms of quality and functionality, have been the Company's major strength. However, due to a variety of changes occurring in the structure of demand, particularly the shift to a paperless office, the market for this product segment is shrinking. In response, the Toppan Forms Group is attempting to increase this division's share and profitability, while at the same time building a new base for growth by combining our proprietary technologies, acquired over long years of experience in this product segment, with the latest technologies. The most important element of this process is staying informed about our customers' needs. We strive to do this by keeping abreast of changes in society and developments in IT. By staying informed about changes in the environment, we hope to continue to develop businesses that will be able to chase change.

Q. | What changes are currently affecting markets related to existing business operations?

A. | Our Company considers Business Forms, Data Print Services (DPS), and Office Supplies as existing businesses. Demand continues to shrink for paper-based business forms, but due to the recent passing of Japan's new privacy law in April 2005, and increasing concern about environmental issues, competition is moving away from a price-based model to one focused on adding value in response to customer needs.

The market for DPS has grown to the point that competition is now beginning to drive prices down. The outsourcing needs of corporations whose management resources are focused on core competencies are becoming more and more complex and varied with each passing year. Consequently, the level demanded of DPS provider solutions, provider competence, and breadth of service is now higher than ever.

Q. | What strategies is the Company pursuing to address these changes?

A. | In the field of Business Forms, our Company is confronting the shrinking market by differentiating our unique products based on an accurate grasp of the changing business environment. We are also seeking to create new opportunities for profit by going beyond simply providing products. For example, we are expanding into the field of form management, which involves providing comprehensive procurement management, including supplies.

In the field of DPS, we are pooling our experience as a service provider in a wide variety of fields, and in our collective forces as a Group, to strengthen our position as a comprehensive BPO service provider that is capable of handling everything from traditional service areas to peripheral service areas. In this way, we are expanding our range of operations and strengthening our customer base.

Q. | Would you please tell us about new fields of business you are entering to fuel mid-to-long-term growth?

A. | The Toppan Forms Group views developments in IT as opportunity. To nurture businesses that will provide growth in the future, we are combining paper media with electronic media and combining our proprietary technologies with other new technologies. IMS and IC operations fall under this heading.

In the field of IMS, we provide a comprehensive information management service over the Internet. Unlike traditional e-commerce, our service focuses on “cross-media,” which combines our Group’s strengths in such products and services as business forms and DPS, to continually create revolutionary new business models. In the field of IC, we are developing such RFID products as IC tags and readers/writers, which are the backbone of ubiquitous commerce, to provide a total solution that encompasses application development.

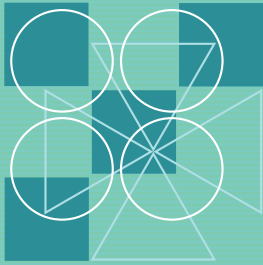
Q. | Would you please tell us about upcoming developments in new fields of business?

A. | Diversification of consumer needs is causing a paradigm shift from mass to individual marketing methods. In the field of IMS, we are beginning to offer a new marketing style adapted to these changes by providing ASP service that combines e-commerce with the personal merchandising business processes we fostered in the field of DOD.

Toppan Forms is bringing three key strengths to bear on RFID: our business forms manufacturing technology enabling parallel deployment of RFID products; our deep pool of knowledge in a broad range of corporate workflows; and our data handling technology fostered in the field of DOD. As a result, we have a highly advantageous position in an RFID market that has moved from the testing stage to the implementation stage. In a market such as this one, where speedy action is crucial, we will make effective use of external resources, including industry-university collaboration and collaboration with other corporations, to rapidly establish our position as a total service provider.

Q. | In closing, do you have a message for shareholders and investors?

A. | As I have just explained, Toppan Forms has responded quickly to change and translated this into business. The business environment surrounding the Toppan Forms Group is expected to keep changing, but Toppan Forms will continue to “chase change” in order to nurture the seeds of new growth. We look forward to the continued support of our shareholders and investors.



BUSINESS FORMS/ DATA PRINT SERVICES (DPS)

Business Forms have been the foundation for Toppan Forms' development, and Data Print Services have sustained our growth. These operations represent the Company's core business and undergo perpetual self-renewal to stay ahead of the market.

In 1955, at the dawn of computerization, Toppan Forms began manufacturing business forms. Since then, our bank balance statements, life insurance proposals, expressway tickets, flight tickets, courier invoices, and other products have become deeply and broadly ingrained in the lives of our customers.

Since its launch in 1989, the force sustaining our growth has been our DPS outsourcing service, where a client corporation provides us with data, we process the data, print it out on a high-speed non-impact printer, seal it in an envelope, and then mail it. This was one of many services we turned into business ahead of other corporations by paying close attention to corporate outsourcing needs.

In this way, Toppan Forms retains a competitive edge in these business areas by staying ahead of changes in the market and developing new businesses before demand actualizes. And now, new changes are visiting these business environments.



ENVIRONMENTAL CHANGES IN THE BUSINESS FORMS MARKET-1

Structural change: from paper to electronic

The Internet is gaining a solid position in areas where paper once reigned due to the instant availability, rapidity of searching, and bi-directional nature of information in the new medium. As a result, demand for paper-based business forms has been decreasing in recent years, and this trend is expected to continue.

ENVIRONMENTAL CHANGES IN THE BUSINESS FORMS MARKET-2

Heightened interest in protection of personal information and environmental issues

The passing of the new privacy law in April 2005 has made corporate protection of personal information a major task closely linked to corporate survival. Also, heightened interest in global environmental issues has put conservation of resources throughout corporate activities into the spotlight as a major element of social responsibility.

ENVIRONMENTAL CHANGES IN THE DPS MARKET

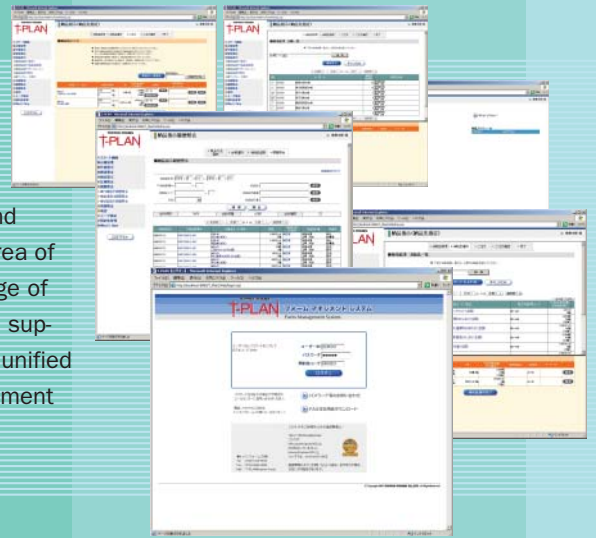
Heightened outsourcing needs

Corporate outsourcing in Japan, mainly at the level of business restructuring, has thus far been limited to external outsourcing of non-core business areas for the purpose of shifting fixed costs to variable costs. However, with the economic recovery of the last few years, needs are becoming increasingly advanced, calling for the strategic use of external resources for business deployment and mobility.

CHASING CHANGE

Advancing into the area of form management

The Toppan Forms Group is addressing this shrinking market by going beyond simply providing business form products. The Group is expanding into the area of form management, which entails comprehensive outsourcing of a broad range of ancillary business activities associated with the area of business forms. We support efficient corporate business operations through a service that provides unified workflow, from order management to stock management to delivery management to site shipping via a Web ordering system or the like.



CHASING CHANGE

Development of high value-added products

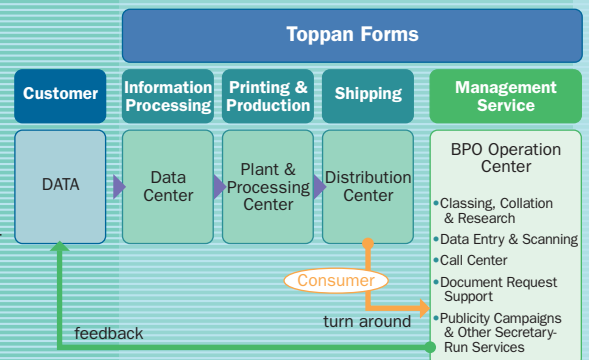
Toppan Forms was striving to improve functionality in the arena of security long before the recent surge of interest in protection of personal information, developing a wide variety of products such as the POSTEX® sealed postcard. Similarly, we were developing environmentally friendly products long before the recent surge of interest in environmental issues, rolling out a large lineup of reusable products. Now that demand has taken shape, our proactive approach to product development has finally borne fruit in the form of overwhelming support from the market.

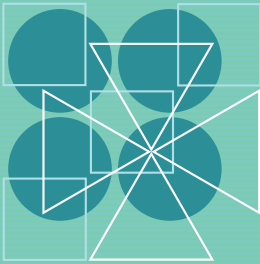


CHASING CHANGE

Evolution to BPO (Business Process Outsourcing)

By going beyond the limits of basic data print services, including information processing, printing and shipping, to pursue BPO service that provides comprehensive coverage—from pre-processing steps that include planning, design, and marketing, through to such post-processing steps as tracking orders shipped from an output center—we are translating the increasing complexity and variety of outsourcing needs into business.





IMS BUSINESS



Advances in IT are driving a paradigm shift from paper to electronic media. Toppan Forms views change as opportunity and is nurturing the seeds of growth with our new IMS (Information Management Services) business.

The spread of the Internet is changing the way we live our lives and the way we do business. In IMS business, Toppan Forms provides e-commerce solutions that tap into information processing and management technologies acquired through years of working in DPS.

Our aim is to create new product areas by combining Internet and e-mail with paper-based business forms. Out of our basic stance of providing a service model that will organically link both forms, this business proposes new value by merging the best attributes of both paper and electronic media.

Like all our businesses, the basic philosophy behind the IMS business is to come up with unique solutions that will continue to chase change.

ENVIRONMENTAL CHANGES



Increasing on-demand needs

The tools you need, when you need them. In today's business environment, where conservation of resources is deemed part of corporate social responsibility, there is a growing need for services to be provided on demand. This is also evolving in the direction of personalized service that responds to individual customer needs.



ENVIRONMENTAL CHANGES



Shift from "mass" marketing to "personalized" marketing

The structural reconfiguration of Japanese society is causing the needs of end users to become diversified. As a result, corporations are being forced to switch from mass-production to job-shop-style production, and to switch marketing strategies from mass marketing to more targeted strategies. Similar changes are occurring in the promotional tools environment.



CHASING CHANGE

Supplying other leading-edge on-demand solutions

Toppan Forms foresaw the coming need for on-demand services as early as 1992, when we were the first company in the field to use on-demand printing machines to provide digital print on demand (DOD) services. We continued to breathe new life into the industry with integrated management systems enabling the creation of personalized promotional documents based on individual preferences and personal learning materials specifically tailored to an individual's learning level. In this way, Toppan Forms has acquired a solid record and advanced know-how in this field. Proving this is the fact that we were the first company in the world to print more than one billion pages.



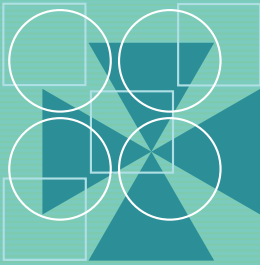
CHASING CHANGE

On-demand cross-media marketing

Toppan Forms' Smart Arrow service, which went online in February 2006, is an integrated Internet-based promotional tool creation and ordering system for creating, broadcasting, and ordering promotional tools online and on demand. The primary target of Smart Arrow is corporations having a large number of stores or sales agents and requiring targeted marketing based on regional or client characteristics. By allowing each store to directly plan and order promotional tools, Smart Arrow not only enables timely promotional campaigns, but also solves a number of corporate issues, such as reducing costs, unifying branding, and providing centralized management of customer information.

Smart Arrow, a cross-media marketing tool combining DM, flyers, e-mail, and cellphone messaging, can be looked upon as the summation of the Toppan Forms Group's various management and processing technologies in paper and electronic media.





IC-RELATED BUSINESS

RFID-related products are attracting a lot of attention as one infrastructure of ubiquitous society. Toppan Forms strives to establish a competitive advantage in this area through a horizontal extension of our printing technology for business forms.

One frontier that Toppan Forms will ‘chase’ is the area of IC-related products, which includes IC cards, IC tags, reader/writer units, and other equipment created by combining digital and paper media. Here, the ground of our company’s development—the printing technologies that we cultivated through our business forms operations—enabled us to develop IC surface mounting technology, thin substrate production technology, antenna formation technology, label processing technology, as well as coating technology. In addition to the development and manufacture of hardware, we are aggressively developing different types of systems and are conducting tests and experiments in a variety of fields. Where rapid development is required, we will use the external resources acquired through tie-ups with businesses, industry and academia.



ENVIRONMENTAL CHANGES

Meeting challenges in adopting RFID systems

In the United States and Europe, RFID technology has already been adopted in retail and public institutions. In Japan, tests and experiments are being conducted in a variety of areas, and the environment for adoption of RFID systems is close to completion with the impending decision on the price of the IC chip. On the other hand, the issue of international standardization of frequencies that accompanies the adoption of the RFID system and the uncertainty of the future operating environment are obstacles to the full-fledged adoption of the RFID system, not only for end users, but also for system integrators.

ENVIRONMENTAL CHANGES

Heightened expectations for building a safe and convenient society

It is not only the distribution sectors that are awaiting the innovations that come from RFID technology. RFID is the focus of attention in the medical field as a technology that can increase operational efficiency and prevent medical errors. It is also being watched closely as a means to guide large numbers of people to their destinations in venues such as airports. Along with high hopes for RFID to bring security and safety to our daily lives, there are still many issues that need to be worked out toward its practical application.

CHASING CHANGE

Supporting corporate adoption of RFID through tie-ups with Microsoft Corporation and VeriSign Japan K.K.

Through a tie-up with Microsoft Corporation in 2005, Toppan Forms provides RFID-related products and technical information to system integrators. We have released 'RDSC Framework for Logistics,' a Windows-based RFID middleware product, and in June 2005, we will jointly establish the first comprehensive solution center in the country at our company headquarters, where people can experience RFID performance verification by using different types of reader/writer units and seeing firsthand the development process of the system. This enables us to provide full-fledged support for system integrators. Further, Microsoft, VeriSign Japan, and Toppan Forms entered into a business tie-up with the objective of providing technological support to companies that are considering the adoption of the EPCglobal network system. We will assist in the smooth building of the system by alleviating some operational burdens that accompany system adoption, such as standardization of hardware and software, verification and prototyping.



CHASING CHANGE

Conducting cutting-edge tests and experiments through industrial and academic tie-ups

In the medical field, we are conducting tests and experiments on the UHF (ultra high frequency) spectrum through tie-ups with Gunma University Hospital and Yamatake Corp. The biggest issue that we face in implementing the RFID system in hospitals is the effect that radio waves have on medical equipment. The university, Yamatake Corp., and Toppan Forms are working together to build a medical system that is both safe and efficient, aiming to resolve this important issue that affects peoples' lives.

Within this desire for a universal system, we are working with the Advanced Airport Systems Technology Research Consortium (ASTREC) and Saitama University's Hasegawa Lab to conduct tests and experiments on information display systems in airports. Through tie-ups in IC tags and digital paper, Toppan Forms is conducting test and experiments to more accurately direct passengers to their destinations. We supply IC tags and large-screen display apparatuses that use digital paper, and we hope to begin practical application in other large-scale facilities besides airports.



PRINTING BUSINESS

The Printing Business segment accounts for 77.5% of net sales. Since the start of this business in 1955, it has comprised Business Forms, which is the foundation for the Company's growth in all fields, and Data Print Services (DPS). In fiscal 2006, net sales in Printing Business operations increased 6.8% year on year, to ¥164.6 billion.

BUSINESS FORMS DIVISION

The Business Forms Division is organized into two major product categories: Business Forms, which use paper media, and Multimedia- and IC-Related Products, which use digital media.

Business Forms

Business Forms is the Company's founding business. The know-how that we have acquired since the start of the Company in areas such as product technologies, and our broad knowledge about our customers' work flow are the basis upon which we develop our other businesses. The sales composition ratio is 77.5% of net sales, and the main products in this category include various forms, such as POSTEX® sealed post-cards, distribution-related forms, as well as envelopes, catalogs, pamphlets, and non-IC cards. Product development, which remains one step ahead of market demand, has earned the Company overwhelming support in this market.

In fiscal 2006, the Business Forms segment continued to face extremely challenging market conditions with a decline in demand and a drop in prices due to streamlining of work by clients. However, by strengthening sales of high value-added products and services and solution-based marketing, and by increasing efficiency and implementing rationalization measures, we saw a steady increase on the whole. Net sales in Printing Business operations increased 6.8% year on year, to ¥164.6 billion.

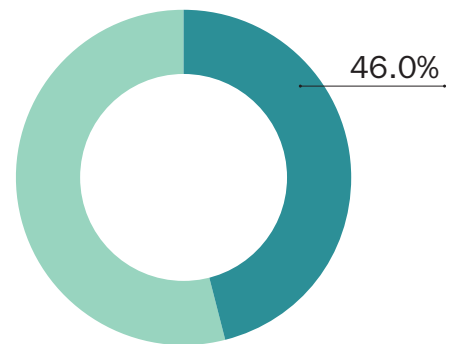
In particular, growing concern for protection of privacy led to a conspicuous increase in the need for products that offer enhanced confidentiality, such as our Company's main product, POSTEX®. In fiscal 2006, we introduced to the market new products that enhanced confidentiality even more than before, such as envelopes with perforated processing on both ends of the unsealing portion. Through these new products that promote enhanced protection of private information, the Company aims to attain an even greater competitive advantage in this area.

To enhance our service system, we promoted Form Management Services, which enables us to enhance our profit foundation from not only the sale of business forms, but by expanding into office supplies and accessories.

Further, in order to respond to changes in the structure of demand, we continued to implement a wide range of initiatives, including reevaluation of procurement and sales prices, plant



Business Forms



reorganization, and improvements in labor productivity.

In related printing operations, we aggressively positioned our business-forms DPS and peripheral printed materials.

Multimedia and IC-Related Products

With the advent of ubiquitous society underway, our company positions this product area, which is a newer field of business, as the driver of growth for the coming generation. By aggressively allocating management resources and aggressively pursuing external alliances, we are planning for the early establishment of a competitive advantage. Sales in this segment for fiscal 2006 increased 62.4%, to ¥7.5 billion.

In digital media products, we are developing cross-media marketing applications and offering services that use Web sites, e-mail, and cellular phones.

In addition to responding to the growing shift from paper media to digital media, the objective of our business in this service area is to synergistically increase sales by combining the strengths of each media type. The integrated-type marketing tool creation system 'Smart Arrow' that we released this year is a representative example. This system is a groundbreaking ASP service that enables all of the marketing tools, both paper and digital media types, such as direct mail, pamphlets, and e-mail, to be created on demand

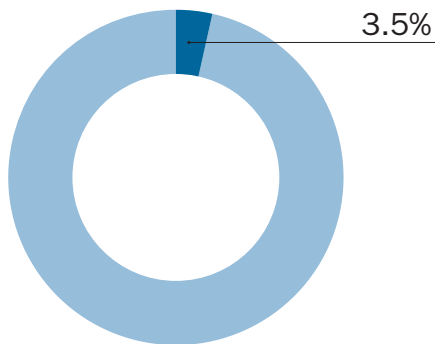
through an Internet browser.

In IC-related products, we offer such RFID products as IC cards and IC tags that can be used in many different circumstances: distribution and product management; different types of systems that use RFID products; reader/writer units and other equipment; and card issuance services.

In the IC-related products area, we have responded to social concern for the enhancement of information security, and have concentrated on the development and sales of not only personal identification cards, but of total systems that use these products. Since speed of business development is demanded in this area, we have aggressively pursued external resources. Our tie-up with Microsoft is one such example. In fiscal 2006, this business tie-up materialized in the first domestic RFID solution center of its kind where system verification, developer education, and hands-on experience with the Windows platform operated RFID are offered.

Further, an information display system that links IC tags and digital paper was developed through industrial and academic tie-ups. This system, which we anticipate will spread more widely in the future, will be linked to transportation system cards with built in ICs, cellular phones, passports, and two-dimensional bar codes. We are striving to realize its practical application in places such as airports and hospitals.

Multimedia and IC-Related Products



DATA PRINT SERVICES (DPS)

DPS is a comprehensive outsourcing service that involves editing and processing data entrusted to us by our customers, printing the variable data on business forms using high-speed non-impact printers, inserting the forms into envelopes, sealing the envelopes, and mailing them. We are intensifying the BPO (business process outsourcing) aspect of this, which will keep DPS as the core task, but will extend services to include planning and post-processing operations. Further, in consideration of the new law regulating protection of personal information and the growing demand for information management by our customers, we have established a department specialized in this area and are implementing information security reinforcement measures in related organizational, administrative, and system areas. In fiscal 2006, this division's sales rose 11.8%, to ¥59.4 billion, or 28.0% of net sales.

DPS

In DPS operations, the market environment was difficult in the year under review as competition continued to intensify, leading to a decline in prices. On the other hand, the outsourcing needs of companies have diversified and expanded. Further, customer needs have broadened to a wider range that does not stop at the former demands for printing and delivery services. In fiscal 2006, we expanded our related tasks from planning to post-processing tasks and

strengthening our sales activities by differentiating our services from those of our competitors by establishing a system that can offer integrated solutions. As a result, we were able to obtain new orders for the integrated outsourcing of commissioning of non-specialized task outsourcing in the financial industry. Also, personalized full-color direct mail contributed to our performance. Sales rose 11.6%, to ¥53.7 billion.

DOD

DOD is a system offering high-speed, programmable color printing of variable, digital graphics data created through DTP. Because the data can be easily changed, linking the system with a database enables the production of highly personalized direct mail, thereby facilitating more accurate marketing activities. Demand for this service is increasing. In the year under review, sales rose 13.2%, to ¥5.7 billion.

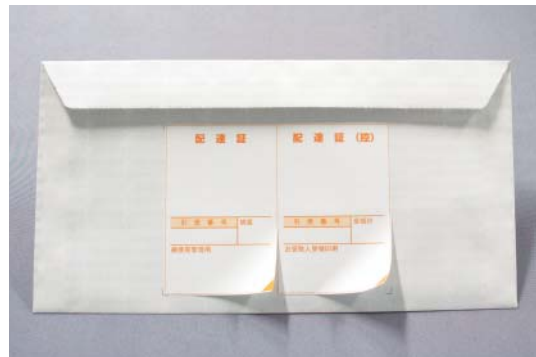
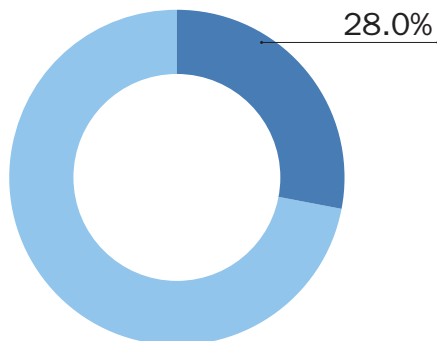
OTHER BUSINESSES

The Other Businesses segment comprises the 'Office Supplies' category and the 'Equipment and Services' category, each of which complements Toppan Forms' printing business. Net sales in this segment rose 5.8% year on year, to ¥47.8 billion, or 22.5% of net sales.

OFFICE SUPPLIES

In the Office Supplies category, we expanded the types of products carried, such as security related

DPS Division



products, printing supplies, and stationary, and used the Internet to expand sales channels. As a result, sales increased 7.2%, to ¥25.5 billion.

EQUIPMENT AND SERVICES

Toppan Forms is building a total support system that complements the sale of business forms with the design, manufacture, and sale of peripheral equipment and related devices and the provision of maintenance services through Group companies. In peripheral equipment, we offer processing equipment, such as sealers that process printed business forms into the shapes of envelopes and postcards. In card-related products, we market ID card color printers and systems for issuing membership cards and rewritable cards.

In our services business, we dispatch specialist staff to provide customers with system development assistance, principally for operational and maintenance issues.

Due to the implementation of devices developed to suit the particular needs of each customer and machinery and materials to enhance security, sales in the Equipment and Services category rose 4.3% year on year, to ¥22.3 billion.

R&D SYSTEM

Our company is continuously engaging in the development and reform of fundamental and device technologies and is aggressively conducting technological development in the growth

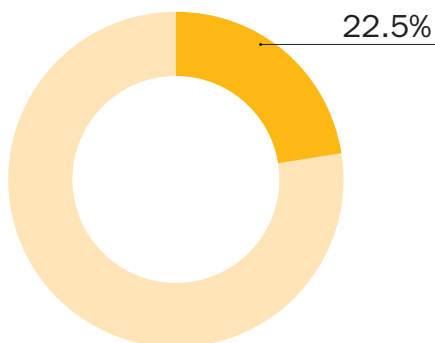
foundation for next-generation, IC- and digital media-related products. At our central research lab, which serves as the base for transmission of new technologies, 140 engineers are currently engaging in development activities.

In the year under review, we conducted prior investment in IC-related and digital media-related areas, which we positioned as key investment areas. R&D expenditures totaled ¥2.2 billion, compared with ¥2.1 billion in the previous fiscal year.

INFORMATION SECURITY SYSTEM

After the new law regulating handling of personal information took effect in Japan on April 1, 2005, protection of personal information has become an essential part of companies' responsibilities to society. With our DPS operations, where our customers entrust us with personal information of consumers, we have already positioned information security as an issue of highest priority. These efforts have borne fruit, and our information management system has earned high evaluations in a wide range of industries. Moreover, in conjunction with implementation of the personal information law, we have established a new department that is dedicated to addressing these issues, and we are promoting the acquisition of 'Privacy Mark' certification in order to further bolster our credibility in this area.

Other Businesses



With the need for effective corporate governance systems a focus of attention, Toppan Forms' fundamental policy calls for the establishment of a fair, shareholder-centered management system.

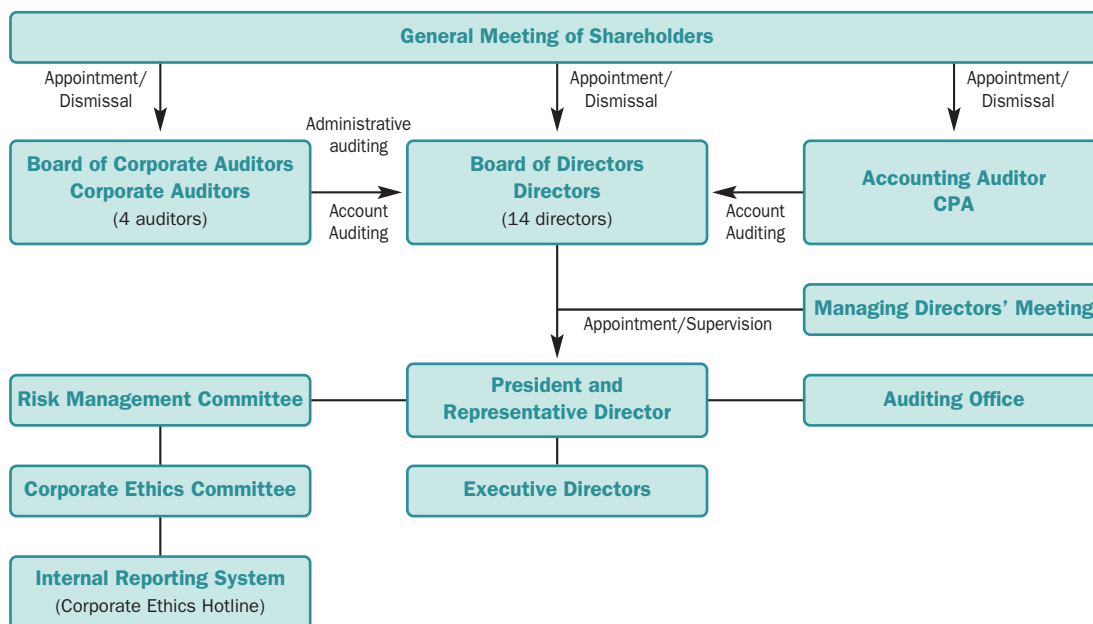
Based on this fundamental policy, we have taken steps to promote rapid, fair decision making and to reinforce the supervisory function of the board of directors by reducing the number of directors and appointing outside directors. Outside corporate auditors have been appointed to the board of corporate auditors, which is conducting strict auditing of the administrative execution of directors.

Moreover, to further enhance our internal control system, we have created the Risk Management Committee and strengthened our compliance system with the establishment of an internal reporting system (Corporate Ethics Hotline). Our aim is to be a company that is trusted by customers, shareholders, and other members of society.

OUTLINE OF CORPORATE GOVERNANCE SYSTEM

- Toppan Forms uses the corporate auditor system.
- The Company has 14 directors, two of whom are outside directors. There are four corporate auditors, three of whom are outside auditors and two of whom, including one outside auditor, are full-time.
- The board of directors meets once a month, makes decisions on important issues, and supervises administrative execution.
- Managing directors' meetings are held once a month, prior to board of directors' meetings, and issues to be raised at the directors' meetings are considered and decided upon.

Corporate Governance System



CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen						Thousands of U.S. dollars (Note1)	
	2001	2002	2003	2004	2005	2006	2006	
For the year:								
Net sales	¥189,465	¥196,489	¥191,324	¥193,985	¥199,173	¥212,327	\$1,807,496	
Operating profit	18,094	18,888	15,030	15,766	13,696	15,717	133,795	
Income before income taxes	16,837	18,477	13,867	15,812	14,448	16,241	138,255	
Net income	9,272	10,584	7,630	8,763	8,276	9,392	79,952	
Depreciation and amortization	4,800	4,701	4,630	5,033	4,936	4,835	41,159	
Capital expenditure	5,941	6,580	10,461	9,025	3,296	5,851	49,806	
R&D expenditure	2,185	2,309	2,246	2,264	2,106	2,174	18,503	
At year-end:								
Total assets	¥141,515	¥150,979	¥148,990	¥158,077	¥169,070	¥182,705	\$1,555,332	
Total shareholders' equity	89,292	95,955	99,969	107,964	113,985	123,426	1,050,705	
Number of shares outstanding (thousands)	114,851	114,706	114,554	114,232	114,084	113,924		
Number of employees	6,165	6,349	6,342	6,115	6,074	6,224		
Cash flows:								
Net cash provided by operating activities	¥12,548	¥16,227	¥10,669	¥13,351	¥14,049	¥13,319	\$113,379	
Net cash used in investing activities	(8,650)	(7,476)	(11,890)	(6,080)	(4,294)	(5,458)	(46,463)	
Net cash used in financing activities	(2,568)	(2,552)	(3,292)	(3,188)	(2,270)	(4,074)	(34,681)	
Cash and cash equivalents at end of year	18,113	24,373	19,836	23,908	31,392	35,206	299,703	

Per share data (Note 2):	Yen						U.S. dollars (Note1)	
	2001	2002	2003	2004	2005	2006	2006	
Net income:								
Basic	¥ 80.68	¥ 92.21	¥ 65.45	¥ 75.60	¥ 71.44	¥ 81.42	\$0.69	
Diluted	—	—	—	—	71.44	81.39	0.69	
Cash dividends	21.00	23.00	23.00	23.00	23.00	24.00	0.20	
Shareholders' equity	777.46	836.52	871.54	944.05	998.05	1,082.39	9.21	

Ratios:	Percent					
	2001	2002	2003	2004	2005	2006
Equity ratio	63.1%	63.6%	67.1%	68.3%	67.4%	67.6%
Return on net sales	4.9	5.4	4.0	4.5	4.2	4.4
Return on assets	6.7	7.2	5.1	5.5	4.9	5.1
Return on shareholders' equity	10.8	11.4	7.8	8.4	7.5	7.9

Notes: 1. U.S. dollar amounts have been converted from yen, for convenience only, at the rate of ¥117=U.S.\$1, as at March 31, 2006.

2. The computations of net income per share and shareholders' equity per share are based on the weighted-average number of shares of common stock outstanding during each year. Treasury stocks held during 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

Market Environment

In fiscal year 2006, ended March 31, 2006, conditions in the business forms industry remained extremely challenging due to the decline in demand resulting from corporate information system integration and networking, as well as the continuing fall of prices on account of changing procurement practices. The market as a whole showed growth because demand for related products and services in privacy protection and security reinforcement grew along with enactment of Japan's personal information protection law.

Income and Expenses

In the year under review, consolidated net sales increased 6.6% year on year, to ¥212.3 billion (\$1,807million). Sales in the Printing Business segment rose 6.8% to ¥164.6 billion (\$1,401 million). Within this segment, Business Forms sales increased 4.3%, to ¥105.2 billion (\$895.5million), due to successful product sales that conformed to market demand and due to customer-based sales activities. We were able to increase sales from the previous year, even as changes took place in the structure of demand.

In Data Print Services (DPS) operations, sales grew year on year, to ¥59.4 billion (\$505.7 million), as a result of integrated outsourcing orders combining notifications and printing operations and due to contributions from personalized full-color direct mail and on demand printing.

In the Other Businesses segment, sales rose due to our success in expanding our product range and

broadening our sales channels through use of the Internet. Further, in office-related equipment, we saw good results because of the development of devices suited to the particular needs of each customer and the implementation of security enhancement equipment and materials. As a result, the Other Businesses segment's year on year sales rose 5.8% in fiscal 2006, to ¥47.8 billion (\$406.6 million).

The cost of sales increased 6.3%, to ¥160.4 billion (\$1,366 million), but as a result of Company-wide cost management, the cost of sales ratio declined 0.2 percentage points, to remain basically level at 75.6%. As a result, gross profit increased 7.6% year on year, to ¥51.9 billion (\$442 million).

Selling, general and administrative (SG&A) expenses increased 4.8%, to ¥36.2 billion (\$308 million). Mainly as a result of successful efforts at personnel rationalization the ratio of SG&A expenses to net sales declined 0.3 percentage points, to 17.0%.

As a result, operating profit for fiscal 2006 increased 14.8% year on year, to ¥15.7 billion (\$134 million), and the operating profit margin increased 0.5 percentage points, to 7.4%.

In other income and expenses, in the previous fiscal year, net other income was ¥0.75 billion, but declined in fiscal 2006, to ¥0.52 billion (\$4.4million).

As a result, income before income taxes for fiscal 2006 increased 12.4% year on year, to ¥16.2 billion (\$138 million), and net income increased 13.5%, to ¥9.4 billion (\$80 million).

Net Sales and Cost of Sales Ratio



SG&A Ratio



Operating Profit and Operating Profit Margin



Net income per share was ¥81.42 (\$0.69), compared to ¥71.44 in the previous fiscal year. Return on equity was 7.9%, up from 7.5% in the previous year, and return on assets rose to 5.1%, compared with 4.9% a year earlier.

Dividend Policy

Toppan Forms gives high priority to returning profits to investors through the stable, continuous payment of dividends in line with the Company's performance.

In fiscal year 2006, the Company paid interim dividends of ¥11.50 (\$0.10) and year-end dividends of ¥12.50 (\$0.11). As a result, total cash dividends per share were ¥24.00 (\$0.20). The non-consolidated payout ratio was 31.4%.

Depreciation and Amortization and Capital Expenditures

Capital expenditure, principally for enhanced production equipment, increased ¥2.5 billion from the previous fiscal year, to ¥5.8 billion (\$50 million). Depreciation and amortization amounted to ¥4.8 billion (\$41 million), compared with ¥4.9 billion in the previous fiscal year.

Financial Position

At fiscal 2006 year-end, current assets were up ¥6.1 billion, to ¥94.9 billion (\$808 million), primarily due to an increase in cash and time deposits. Current liabilities increased ¥1.8 billion, to ¥52.7 billion (\$448 million). Accordingly, working capital rose ¥4.2 billion, to ¥42.3

billion (\$360 million), and the current ratio improved 5.4% year on year, to 180.2%.

Total shareholder's equity rose ¥9.4 billion, to ¥123.4 billion (\$1,051 million) at year-end, mainly due to higher retained earnings. Total assets were up ¥13.6 billion, to ¥182.7 billion (\$1,555 million). Consequently, the equity ratio was 67.6%, compared with 67.4% a year earlier.

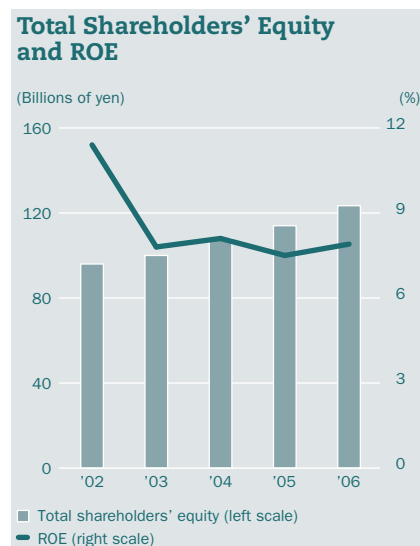
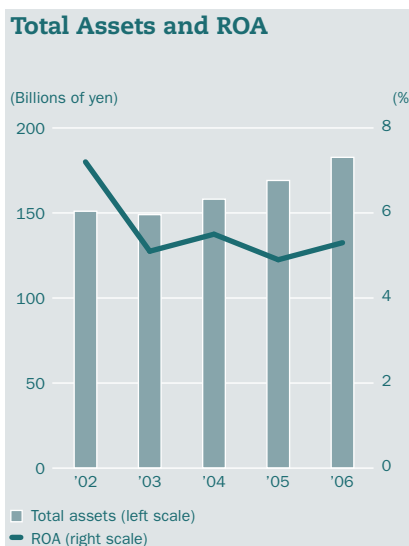
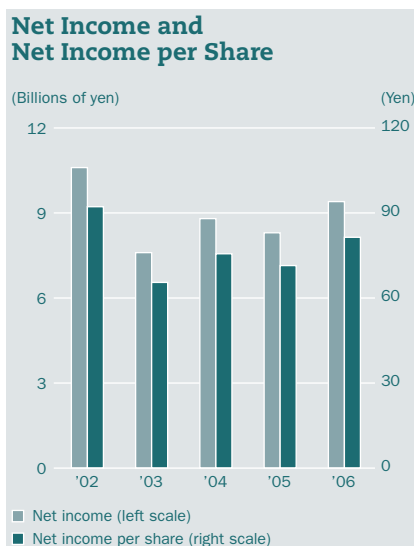
Cash Flows

Net cash provided by operating activities fell from ¥14.0 billion in the fiscal previous fiscal year, to ¥13.3 billion (\$113 million). The major inflow was income before income taxes of ¥16.2 billion (\$138 million) and depreciation and amortization of ¥4.8 billion (\$41 million). The major outflow was the payment of income taxes totaling ¥7.0 billion (\$60 million).

Net cash used in investing activities increased from ¥4.3 billion in the previous fiscal year to ¥5.5 billion (\$46 million). This increase was principally due to the ¥3.6 billion (\$31 million) used for acquisition of property, plant, and equipment.

Net cash used in financing activities was ¥4.1 billion (\$35 million), up from ¥2.3 billion in the previous fiscal year. The major activity was dividends paid, which amounted to ¥2.6 billion (\$22 million).

At the end of fiscal year 2006, cash and cash equivalents totaled ¥35.2 billion (\$300 million), up ¥3.8 billion from the previous fiscal year-end.



CONSOLIDATED BALANCE SHEETS

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2006	2006
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2 and 3)	¥ 27,952	¥ 31,766	\$ 270,419
Marketable securities (Notes 2, 3 and 5)	3,440	3,440	29,284
Notes and accounts receivable, trade (Note 4)	38,867	40,031	340,773
Inventories (Notes 2 and 6)	13,756	14,203	120,908
Deferred tax assets (Note 13)	2,015	2,342	19,937
Other current assets	2,842	3,152	26,832
Total current assets	88,872	94,934	808,153
Long-term assets:			
Property, plant and equipment (Note 2):			
Land	18,162	18,488	157,389
Buildings and facilities	41,210	42,116	358,523
Machinery, equipment and vehicles	58,596	61,536	523,839
Tools and furniture	10,206	10,339	88,013
Construction-in-progress	498	753	6,414
	128,672	133,232	1,134,178
Less: Accumulated depreciation	(71,438)	(74,967)	(638,182)
Property, plant and equipment, net	57,234	58,265	495,996
Investment securities and other assets:			
Investment securities (Notes 2 and 5)	13,447	19,651	167,286
Leasehold deposits	2,127	2,319	19,741
Insurance funds	4,246	4,107	34,964
Deferred tax assets (Note 13)	902	825	7,022
Other assets	2,242	2,604	22,170
Total investment securities and other assets	22,964	29,506	251,183
Total fixed assets	80,198	87,771	747,179
Total assets (Note 18)	¥169,070	¥182,705	\$1,555,332

The accompanying notes are an integral part of these statements.

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2006	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 7)	¥ 1,626	¥ 691	\$ 5,882
Notes and accounts payable:			
–Trade (Note 4)	35,134	34,704	295,427
–Construction	1,151	1,517	12,910
Accrued income taxes (Notes 2 and 13)	3,517	4,038	34,376
Accrued bonuses to employees (Note 2)	3,484	3,730	31,749
Deferred tax liabilities (Note 13)	1	–	–
Other current liabilities	5,926	7,993	68,049
Total current liabilities	50,839	52,673	448,393
Long-term liabilities:			
Long-term debt (Note 7)	115	100	851
Pension liabilities (Notes 2 and 8)	3,110	3,790	32,264
Deferred tax liabilities (Note 13)	819	2,500	21,280
Other long-term liabilities	93	108	919
Total long-term liabilities	4,137	6,498	55,314
Minority interests in consolidated subsidiaries	109	108	920
Contingent liabilities (Note 17)			
Shareholders' equity (Note 9):			
Common stock			
Authorized: 400,000,000 shares			
Issued: 115,000,000 shares	11,750	11,750	100,026
Additional paid-in capital	9,270	9,270	78,914
Retained earnings	92,545	99,188	844,365
	113,565	120,208	1,023,305
Net unrealized gains on other securities (Note 5)	2,799	5,562	47,352
Foreign currency translation adjustments	(782)	(568)	(4,830)
Treasury stock, at cost (Notes 2 and 10) (2005: 915,247 shares, 2006: 1,074,947 shares)	(1,597)	(1,776)	(15,122)
Total shareholders' equity	113,985	123,426	1,050,705
Total liabilities and shareholders' equity	¥169,070	¥182,705	\$1,555,332

CONSOLIDATED STATEMENTS OF INCOME

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Net sales (Notes 4 and 18)	¥193,985	¥199,173	¥212,327	\$1,807,496
Cost of sales (Notes 4, 11 and 18)	144,853	150,953	160,437	1,365,771
Gross profit	49,132	48,220	51,890	441,725
Selling, general and administrative expenses (Notes 11, 12, 14 and 18)	33,366	34,524	36,173	307,930
Operating profit	15,766	13,696	15,717	133,795
Other income:				
Interest and dividend income	120	108	275	2,340
Gains on sale of investment securities	688	72	110	939
Income from patent rights	427	380	364	3,097
Other income	450	510	413	3,511
	1,685	1,070	1,162	9,887
Other expenses:				
Interest expense	(54)	(35)	(72)	(611)
Loss on write-down of investment securities	(111)	(0)	(228)	(1,943)
Loss on disposal of machinery and others	(209)	(125)	(135)	(1,149)
Loss on write-down of membership	(29)	(45)	0	(4)
Restructuring costs and other	(982)	-	-	-
Other expenses	(254)	(113)	(203)	(1,720)
	(1,639)	(318)	(638)	(5,427)
Income before income taxes	15,812	14,448	16,241	138,255
Income taxes (Notes 2 and 13):				
Currently payable	6,897	6,549	7,327	62,373
Deferred benefits	180	(381)	(484)	(4,118)
	7,077	6,168	6,843	58,255
Minority interests in income (loss) of consolidated subsidiaries	(28)	4	6	48
Net income	¥ 8,763	¥ 8,276	¥ 9,392	\$ 79,952

Per share of common stock (Note 16):

	Yen			U.S. dollars (Note 1)
	2004	2005	2006	2006
Net income:				
Basic	¥75.60	¥71.44	¥81.42	\$0.69
Diluted	-	71.44	81.39	0.69
Cash dividends applicable to the year	¥23.00	¥23.00	¥24.00	\$0.20

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2005	2006	2006
Common stock:				
Beginning and end of period	¥11,750	¥11,750	¥11,750	\$100,026
Additional paid-in capital:				
Beginning and end of period	¥ 9,270	¥ 9,270	¥ 9,270	\$ 78,914
Retained earnings (Note 2):				
Beginning of period	¥81,032	¥87,034	¥92,545	\$787,818
Add:				
Net income	8,763	8,276	9,392	79,952
Deduct:				
Cash dividends paid	2,631	2,625	2,622	22,317
Bonuses to directors (Note 2)	130	123	114	975
Loss on disposal of treasury stock	-	17	13	113
End of period	¥87,034	¥92,545	¥99,188	\$844,365
Treasury stock, at cost (Notes 2 and 10):				
Beginning of period	¥ (1,003)	¥ (1,387)	¥ (1,597)	\$ (13,599)
Net change resulting from purchase and sale of fractional shares of less than "One Unit" as defined by the Japanese Commercial Code	-	(0)	-	-
Purchase of treasury stock	(384)	(270)	(264)	(2,244)
Decrease on exercise of stock options	-	60	85	721
End of period	¥ (1,387)	¥ (1,597)	¥ (1,776)	\$ (15,122)
Net unrealized gains (losses) on other securities (Note 5):				
Beginning of period	¥ (474)	¥ 2,058	¥ 2,799	\$ 23,829
Add	2,532	741	2,763	23,523
End of period	¥ 2,058	¥ 2,799	¥ 5,562	\$ 47,352
Foreign currency translation adjustments:				
Beginning of period	¥ (606)	¥ (761)	¥ (782)	\$ (6,656)
Add/(Deduct)-	(155)	(21)	214	1,826
End of period	¥ (761)	¥ (782)	¥ (568)	\$ (4,830)

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)
	2004	2005	2006	2006
Cash flows from operating activities:				
Income before income taxes	¥15,812	¥14,448	¥16,241	\$138,255
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	5,033	4,936	4,835	41,159
Gains on sale of investment securities	(688)	(72)	(110)	(939)
Write-down of investment securities	111	0	228	1,943
Restructuring costs and other	982	-	-	-
Other, net	110	67	(114)	(970)
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(1,489)	(1,974)	(930)	(7,919)
Decrease (increase) in inventories	256	(1,285)	(346)	(2,949)
Increase (decrease) in notes and accounts payable	1,298	3,238	(599)	(5,095)
Increase in pension liabilities	919	659	526	4,478
Other, net	(2,091)	469	361	3,075
Sub total	20,253	20,486	20,092	171,038
Interest and dividends received	149	159	301	2,559
Interest paid	(43)	(33)	(68)	(576)
Income taxes paid	(7,008)	(6,563)	(7,006)	(59,642)
Net cash provided by operating activities	13,351	14,049	13,319	113,379
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(8,181)	(4,448)	(3,647)	(31,046)
Proceeds from sale of property, plant and equipment	154	266	25	217
Acquisition of marketable securities	(100)	-	-	-
Proceeds from sale of marketable securities	100	100	-	-
Acquisition of investment securities	(1,087)	(573)	(1,838)	(15,646)
Proceeds from sale of investment securities	1,380	342	305	2,592
Provided by other investing activities	3,574	953	993	8,455
Used in other investing activities	(1,920)	(934)	(1,296)	(11,035)
Net cash used in investing activities	(6,080)	(4,294)	(5,458)	(46,463)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(78)	776	(1,095)	(9,322)
Decrease in long-term debt	(16)	(121)	(70)	(593)
Repayments of capital lease obligations	(51)	(58)	(88)	(752)
Acquisition of treasury stock	(384)	(270)	(264)	(2,244)
Proceeds from sale of treasury stock	-	43	71	608
Dividends paid	(2,659)	(2,640)	(2,628)	(22,378)
Net cash used in financing activities	(3,188)	(2,270)	(4,074)	(34,681)
Effect of exchange rate changes on cash and cash equivalents	(15)	(1)	27	236
Net increase in cash and cash equivalents	4,068	7,484	3,814	32,471
Cash and cash equivalents at beginning of year	19,836	23,908	31,392	267,232
Increase in cash and cash equivalents due to newly consolidated subsidiaries	4	-	-	-
Cash and cash equivalents at end of year (Notes 2 and 3)	¥23,908	¥31,392	¥35,206	\$299,703

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form more familiar to readers outside Japan. Some information provided in the notes to the consolidated financial statements is not required under accounting

principles generally accepted in Japan, but is also presented for the convenience of readers.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been calculated at the rate of ¥117 = U.S.\$1, the approximate rate of exchange on March 31, 2006. Such translations should not be construed as representations that the Japanese yen amounts could have been or could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries.

The accounts of TFE Information Technology, Inc., which is a 70% directly owned subsidiary of the Company, established in April 2005, have been included in the 2006 consolidation.

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

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

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

Overseas-consolidated subsidiaries have adopted accounting principles generally accepted in their respective countries and no adjustments have been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan.

(2) Cash and cash equivalents

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

(3) Financial instruments

(a) Derivatives:

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

(b) Securities:

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

Trading securities are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.

Investments of the Company in equity securities issued by affiliates are accounted for by the equity method.

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 shareholders' equity at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost.

Subscriptions to investment funds that are included in other investment securities are accounted for by the equity method on a basis of recent statement of earnings.

(c) Hedge accounting:

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

Derivatives designated as hedging instruments by the Company are principally forward exchange and interest rate swap contracts. The related hedged items are trade accounts receivable 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 exchange and interest rate fluctuations. Thus, the Company's purchase of hedging instruments is limited to, at maximum, the amounts of the hedged items.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related items from the commencement of the hedges.

(4) Inventories

Inventories are stated at cost.

The cost of raw materials, supplies and purchased finished goods (supplies) is determined by the first-in, first-out method. The cost of purchased finished goods (machinery), finished products and work-in-process is determined by the specific identification method.

(5) Property, plant and equipment and depreciation

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

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

(6) Accrued bonuses to employees

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

(7) Accrued bonuses to directors

Bonuses to directors are appropriated from retained earnings after shareholders' approval at the general meeting of shareholders held within three months of the fiscal year-end. These bonuses are generally not deductible for tax purposes.

(8) Pension and severance plans

The Company and certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations covering employee pensions, for a defined benefit tax qualified pension plan and a non-contributory plan.

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

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

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

(9) Income taxes

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

(10) Leases

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

(11) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements in the year they are approved at the general meeting of shareholders.

(12) Foreign currency translation

The assets, liabilities, income and expenses of foreign subsidiaries are translated into Japanese yen at the applicable current rates at the year-end. The translation of assets and liabilities denominated in foreign currency at the year-end is made at the current rate. Exchange gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in the consolidated statements of income.

(13) Treasury stocks

Treasury stocks are stated at cost as a separate component of the shareholders' equity in the accompanying consolidated balance sheets.

(14) Impairment of fixed assets

On August 9, 2002, the Business Accounting Council of Japan issued new accounting standards entitled "Statement of Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets". Further, on October 31, 2003, the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No. 6 – "Application Guidance on Accounting Standards for Impairment of Fixed Assets". These standards are effective from the fiscal years beginning April 1, 2005.

The Company adopted these standards in the fiscal year ended March 31, 2006, and this had no effect on profit.

(15) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the fiscal years ended March 31, 2004 and 2005 have been made to conform to the presentation for the fiscal year ended March 31, 2006.

3 CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" comprise the following:

March 31	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Cash and time deposits with original maturity of three months or less	¥21,188	¥27,952	¥31,766	\$270,419
Marketable securities	2,720	3,440	3,440	29,284
	¥23,908	¥31,392	¥35,206	\$299,703

4 ACCOUNTS BALANCE AND TRANSACTIONS WITH RELATED PARTIES

There are several related party transactions, mainly purchases of commercial printed products from and sales of business forms to Toppan Printing Co., Ltd., which owns 58.6% of the common stock of the Company. The transactions were made at arm's-length, at prices that are considered to be equivalent to market prices.

Sales to Toppan Printing Co., Ltd. for the years ended March 31, 2004, 2005 and 2006 amounted to ¥6,428 million, ¥6,171 million and ¥6,770 million (\$57,631 thousand), respectively. Purchases from Toppan Printing Co., Ltd. for those three

years were ¥4,227 million, ¥4,006 million and ¥4,528 million (\$38,549 thousand), respectively. The balance of receivables from Toppan Printing Co., Ltd. as of March 31, 2005 and 2006 amounted to ¥2,116 million and ¥1,548 million (\$13,178 thousand), respectively. The balance of payables to Toppan Printing Co., Ltd. as of March 31, 2005 and 2006 amounted to ¥789 million and ¥936 million (\$7,971 thousand), respectively.

Transactions with non-consolidated subsidiaries and affiliates were immaterial.

5 MARKETABLE AND INVESTMENT SECURITIES

The following is certain information relating to the aggregate book carrying amount and market value of securities in fiscal year 2005.

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

Nothing is applicable for the requirements.

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

Millions of yen			
March 31, 2005			
	Acquisition cost	Market value (=Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet:			
①Share stocks	¥4,117	¥ 8,908	¥ 4,791
②Others	404	539	135
	4,521	9,447	4,926
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet:			
①Share stocks	679	533	(146)
②Others	826	768	(58)
	1,505	1,301	(204)
Total	¥6,026	¥10,748	¥ 4,722
Tax effect			(1,923)
			¥ 2,799

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

Millions of yen	
March 31, 2005	
Proceeds from sales of "Other securities"	¥342
Gain on sales of "Other securities"	72
Loss on sales of "Other securities"	6

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

Millions of yen	
March 31, 2005	
Book carrying amount	
Other securities:	
①Share stocks not listed on the market	¥1,821
②Others	3,548
	¥5,369

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

	Millions of yen			
	March 31, 2005			
	Due 2006	Due 2007~2010	Due 2011~2015	Due after 2016
1. Bonds:				
① Government bonds, Municipal bonds, etc.	¥ -	¥ -	¥ -	¥ -
② Corporate bonds	-	-	-	108
③ Others	-	-	-	-
2. Others:				
① Mutual funds	-	-	-	-
	¥ -	¥ -	¥ -	¥108

The following is certain information relating to the aggregate book carrying amount and market value of securities in fiscal year 2006.

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

Nothing is applicable for the requirements.

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

	Millions of yen		
	March 31, 2006		
	Acquisition cost	Market value (=Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet:			
① Share stocks	¥4,481	¥13,446	¥8,965
② Others	1,000	1,536	536
	5,481	14,982	9,501
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet:			
① Share stocks	503	395	(108)
② Others	420	410	(10)
	923	805	(118)
Total	¥6,404	¥15,787	¥9,383
Tax effect			(3,821)
			¥5,562

	Thousands of U.S. dollars		
	March 31, 2006		
	Acquisition cost	Market value (=Book carrying amount)	Unrealized gains (losses)
Other securities whose market price or quotations exceed their book carrying amount on the consolidated balance sheet:			
① Share stocks	\$38,148	\$114,466	\$ 76,318
② Others	8,515	13,077	4,562
	46,663	127,543	80,880
Other securities whose market price or quotations do not exceed their book carrying amount on the consolidated balance sheet:			
① Share stocks	4,284	3,364	(920)
② Others	3,574	3,491	(83)
	7,858	6,855	(1,003)
Total	\$54,521	\$134,398	\$ 79,877
Tax effect			(32,525)
			\$ 47,352

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

	Millions of yen	Thousands of U.S. dollars
	March 31, 2006	
Proceeds from sales of "Other securities"	¥298	\$2,537
Gain on sales of "Other securities"	110	939
Loss on sales of "Other securities"	0	0

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

	Millions of yen	Thousands of U.S. dollars
	March 31, 2006	
Book carrying amount		
Other securities:		
①Share stocks not listed on the market	¥1,883	\$16,034
②Others	4,548	38,712
	¥6,431	\$54,746

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

	Millions of yen			
	March 31, 2006			
	Due 2007	Due 2008~2011	Due 2012~2016	Due after 2017
1. Bonds:				
①Government bonds, Municipal bonds, etc.	¥ -	¥ -	¥ -	¥ -
②Corporate bonds	-	-	8	1,110
③Others	-	-	-	-
2. Others:				
①Mutual funds	-	-	-	-
	¥ -	¥ -	¥ 8	¥1,110

	Thousands of U.S. dollars			
	March 31, 2006			
	Due 2007	Due 2008~2011	Due 2012~2016	Due after 2017
1. Bonds:				
①Government bonds, Municipal bonds, etc.	\$ -	\$ -	\$ -	\$ -
②Corporate bonds	-	-	64	9,364
③Others	-	-	-	-
2. Others:				
①Mutual funds	-	-	-	-
	\$ -	\$ -	\$ 64	\$9,364

6 INVENTORIES

Inventories comprise the following:

March 31	Millions of yen		Thousands of U.S. dollars	
	2005	2006	2006	
Finished products	¥ 7,730	¥ 7,584	\$ 64,557	
Purchased finished goods	2,615	2,984	25,403	
Work in process	1,034	1,165	9,920	
Raw materials and supplies	2,377	2,470	21,028	
	¥13,756	¥14,203	\$120,908	

7 BORROWINGS

Short-term borrowings primarily consist of short-term bank loans of certain domestic and overseas subsidiaries with annual interest rates ranging from 2.24 to 5.05 per cent as of March 31, 2006.

Long-term debt at March 31, 2006 comprises the following:

	Millions of yen	Thousands of U.S. dollars
Loans from Japanese banks and others:		
Unsecured—1.35 per cent	¥100	\$ 851
Unsecured—3.95 per cent	17	141
Less: Amounts due within one year	(17)	(141)
	¥100	\$ 851

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
2007	¥100	\$851
2008	-	-
2009	-	-
2010	-	-
2011	-	-
	¥100	\$851

8 PENSION AND SEVERANCE PLANS

The Company and certain domestic consolidated subsidiaries have entered into agreements with insurance companies and trust banking corporations for defined benefit tax qualified pension plans and non-contributory plans to cover employee pensions. The pension plans provide for annuity payments (or a

lump-sum payment at the employees' request) over ten years, based on the length of service and salary at the time of retirement for employees with at least twenty years of service. The plan also provides for lump-sum payments to employees who have served less than twenty years.

The pension liabilities for employees as of March 31, 2005 and 2006 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
(1) Projected benefit obligation	¥30,646	¥31,815	\$270,836
(2) Plan assets at fair value	23,097	28,936	246,328
(3) Unfunded benefit obligation (1)-(2)	7,549	2,879	24,508
(4) Unrecognized actuarial loss	(4,948)	252	2,142
(5) Prepaid pension expense	(46)	(42)	(360)
(6) Pension liabilities for employees (3)+(4)-(5)	¥ 2,647	¥ 3,173	\$ 27,010

The Company contributed certain marketable equity securities in 2001 to the employee retirement benefit trust. These are included in "Plan assets at fair value" above, and amounted to ¥1,505 million in 2005 and ¥2,233 million (\$19,009 thousand) in 2006.

The components of the net periodic pension cost for the fiscal years ended March 31, 2005 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
(1) Service costs	¥1,671	¥1,675	\$14,263
(2) Interest costs	675	693	5,900
(3) Expected return on plan assets	712	759	6,458
(4) Expense for actuarial loss	491	467	3,972
(5) Net periodic pension cost (1) + (2) - (3) + (4)	¥2,125	¥2,076	\$17,677

The assumptions used as of March 31, 2004, 2005 and 2006 were as follows:

	2004	2005	2006
(1) Discount rate	2.5%	2.5%	2.5%
(2) Expected return on plan assets	3.5%	3.5%	3.5%
(3) Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis	Straight-line basis
(4) Amortization of unrecognized prior service costs	–	–	–
(5) Amortization of unrecognized actuarial gain/loss	Straight-line over 15 years	Straight-line over 15 years	Straight-line over 15 years

9 SHAREHOLDERS' EQUITY

- (1) Upon a resolution of the Board of Directors, appropriations of interim cash dividends and the related transfer to the legal earned reserve as described in (3) below, can be made from inappropriate retained earnings brought forward;
- (2) All other appropriations of retained earnings, including year end dividends and bonuses to directors and statutory corporate auditors, require approval by the shareholders at the General Meeting of Shareholders;
- (3) An amount equal to at least 10 per cent of cash dividends and other cash distributions paid by the Company from retained earnings must be appropriated from retained earnings as a legal earned reserve; no further appropriation is required when the combined amount of the capital reserve and

the legal earned reserve pursuant to the Japanese Commercial Code equals 25 per cent of the stated capital; and
 (4) Legal earned reserve and unappropriated retained earnings are presented in the 'retained earnings' accounts and 'legal capital' reserve and other capital reserves are presented in the 'additional paid-in capital' accounts.

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. The fiscal 2006 year-end appropriation of retained earnings of the Company, which was approved at the General Meeting of Shareholders held in June 2006, is presented below:

	Millions of yen	Thousands of U.S. dollars
Appropriation for:		
Cash dividends, ¥12.50 (\$0.1) per share	¥1,424	\$12,123
Bonuses to directors	60	511
Retained earnings, provided for as general reserve	6,000	51,076
	¥7,484	\$63,710

10 TREASURY STOCKS

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

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

Effective from October 1, 2001, the Company is allowed to acquire its own shares to the extent that the aggregate cost of treasury stocks does not exceed the maximum amount available for dividends. On June 27, 2002, the ordinary shareholders' meeting approved (1) the company's acquisition of its own shares with a limit of 2,000,000 shares whose value is limited to ¥5,000 million by the date of next ordinary shareholders' meeting, and (2) the granting of stock options to purchase newly issued shares with a limit of 200,000 shares to certain directors and certain employees.

In accordance with this approval, the Company decided to grant certain directors and employees stock options of 1,510

units, equivalent to 151,000 common shares with an exercise price of ¥2,131, and acquired treasury stocks of 151,000 shares in order to prepare for exercising these stock options in July 2002. In addition, the Company acquired treasury stocks of 165,100 shares in April 2003.

On June 27, 2003, the ordinary shareholders' meeting approved (1) the company's acquisition of its own shares with a limit of 2,000,000 shares whose value is limited to ¥2,300 million by the date of next ordinary shareholders' meeting, and (2) the granting of stock options to purchase newly issued shares with a limit of 200,000 shares to certain directors and certain employees.

In accordance with this approval, the Company decided to grant certain directors and employees stock options of 1,570 units, equivalent to 157,000 common shares with an exercise price of ¥1,255, and acquired treasury stock of 134,900 shares and 22,100 shares in order to prepare for exercising the stock options in July 2003 and in August 2003, respectively.

On June 29, 2004, the ordinary shareholders' meeting approved (1) the company's acquisition of its own shares with a limit of 2,000,000 shares whose value is limited to ¥3,200 million by the date of next ordinary shareholders' meeting, and (2) the granting of stock options to purchase newly issued shares with a limit of 200,000 shares to certain directors and certain employees.

In accordance with this approval, the Company decided to grant certain directors and employees stock options of 1,820 units, equivalent to 182,000 common shares with an exercise price of ¥1,575 per share, and acquired treasury stock of 182,000 shares in order to prepare for exercising the stock options in July 2004.

The stock options of 290 units and 50 units that are equivalent to 29,000 and 5,000 common shares with an exercise price of 1,255 per share were exercised in August 2004 and in November 2004, respectively.

On June 29, 2005, the directors' meeting approved the company's acquisition of its own shares, with a limit of 211,000

shares whose value is limited to ¥300 million. In accordance with this approval, the Company purchased 211,000 shares in July, 2005.

The stock options of 30, 80, 30, 70 and 83 units that are equivalent to 3,000, 8,000, 3,000, 7,000 and 8,300 common shares with an exercise price of 1,255 per share were exercised in October 2005, November 2005, December 2005, January 2006 and March 2006, respectively.

The stock options of 30, 100 and 90 units that are equivalent to 30,000, 10,000 and 9,000 common shares with an exercise price of 1,575 per share were exercised in January 2006, February 2006, and March 2006, respectively.

The stock options of 30 and 30 units that are equivalent to 3,000 and 3,000 common shares with an exercise price of 1,255 per share were exercised in April and May 2006.

The stock options of 50 units that are equivalent to 5,000 common shares with an exercise price of 1,575 per share were exercised in April 2006

The following is the status of treasury stock purchases and the balances of treasury stocks held by the Company as of March 31, 2002, 2003, 2004, 2005 and 2006.

Month of purchase of treasury stocks	Number of common stock shares purchased	Millions of yen
		Payments for purchases
In June 2000	149,000	¥ 375
In June 2001	145,000	309
As of March 31, 2002	294,000	684
In July 2002	151,000	319
Fractional shares during the year	80	0
As of March 31, 2003	445,080	1,003
In April 2003	165,100	178
In July 2003	134,900	177
In August 2003	22,100	29
As of March 31, 2004	767,180	1,387
In July, 2004	182,000	270
In August, 2004	(29,000)	(51)
In November, 2004	(5,000)	(9)
Fractional shares during the year	67	0
As of March 31, 2005	915,247	1,597
In July, 2005	211,000	264
In October, 2005	(3,000)	(5)
In November, 2005	(8,000)	(13)
In December, 2005	(3,000)	(5)
In January, 2006	(10,000)	(16)
In February, 2006	(10,000)	(17)
In March, 2006	(17,300)	(29)
As of March 31, 2006	1,074,947	1,776
In April, 2006	(8,000)	
In May, 2006	(3,000)	
As of June 29, 2006	1,063,947	

11 RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure, which is charged to income when incurred, and is included in the cost of sales and selling, general and administrative expenses, amounted to

¥2,264 million, ¥2,106 million and ¥2,174 million (\$18,503 thousand) for the fiscal years ended March 31, 2004, 2005 and 2006, respectively.

12 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Salaries and bonuses	¥11,593	¥11,744	¥11,698	\$ 99,582
Provisions for bonuses to employees	1,041	1,166	1,219	10,377
Provisions for severance indemnities of directors and statutory corporate auditors	105	105	210	1,789
Depreciation	1,078	1,129	1,021	8,690
Rent expenses	2,445	2,322	2,607	22,191
Freight charges	5,336	5,449	5,599	47,661
Research and development expenditure	2,264	2,106	2,174	18,503
Pension expenses	983	833	761	6,478
Others	8,521	9,670	10,884	92,659
Total	¥33,366	¥34,524	¥36,173	\$307,930

13 INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in aggregate, represent a statutory tax rate of approximately 40.7 per cent, effective from April 1, 2004.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective April 1, 2004. Under the amended legislation, the enterprise tax is the

sum of three tax components; a) an income based component, b) a value added component and c) a capital based component.

According to an announcement issued by Financial Accounting Standards Foundation, in its new statement, b) the value added component and c) the capital based component of the enterprise tax, which amounted to ¥220 million in total for the fiscal year ended March 31, 2005, should be presented in selling, general and administrative expenses.

The significant components of deferred tax assets and liabilities for the fiscal years ended March 31, 2005 and 2006 are as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Deferred tax assets:			
Accrued bonuses	¥ 1,407	¥ 1,499	\$ 12,763
Enterprise tax	291	353	3,004
Depreciation	143	103	879
Accrued severance indemnities for directors and statutory corporate auditors	188	251	2,139
Pension liabilities for employees	1,405	1,620	13,795
Bad debt reserve	17	31	267
Unrealized loss on golfclub membership	207	186	1,582
Unrealized loss on investment securities	43	178	1,515
Others	589	614	5,222
	4,290	4,835	41,166
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	(94)	(111)	(944)
Unrealized gain on investment securities	(1,921)	(3,818)	(32,500)
Depreciation	(142)	(188)	(1,604)
Others	(36)	(51)	(439)
	(2,193)	(4,168)	(35,487)
Deferred tax assets, net(*)	¥ 2,097	¥ 667	\$ 5,679

"Pension liabilities for employees" for the fiscal years ended March 31, 2005 and 2006 include a prepaid pension cost of 18 million and 14 million, respectively.

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

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Current assets—deferred tax assets	¥2,015	¥ 2,342	\$ 19,937
Long-term assets—deferred tax assets	902	825	7,022
Current liabilities—deferred tax liabilities	(1)	—	—
Long-term liabilities—deferred tax liabilities	(819)	(2,500)	(21,280)

Disclosure of the reconciliation between the effective statutory tax rate and the income effective corporate tax rate in consolidated statements of income is required if the difference between the two rates is more than 5% of the statutory tax rate.

Accordingly, the reconciliation between the statutory tax rate and the income tax rate in the consolidated statements of income for the fiscal years ended March 31, 2005 and 2006 is not disclosed.

14 LEASES

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

accordance with accounting principles and practices generally accepted in Japan. Certain information on such lease contracts of the Company and its consolidated subsidiaries, as a lessee, is shown below:

(1) Finance leases other than those which do not transfer ownership of properties to lessees are as follows:

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

March 31	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Machinery, equipment and vehicles	¥ 2,816	¥ 4,210	¥ 5,071	\$ 43,171
Tools and furniture	7,407	6,730	6,148	52,336
Other assets	202	116	155	1,316
Accumulated depreciation	(7,690)	(7,310)	(7,184)	(61,158)
Total	¥ 2,735	¥ 3,746	¥ 4,190	\$ 35,665

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

March 31	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Due within one year	¥1,720	¥1,846	¥1,909	\$16,252
Due after one year	2,910	3,562	3,934	33,492
	¥4,630	¥5,408	¥5,843	\$49,744

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

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Lease payments	¥2,063	¥2,187	¥2,343	\$19,947
Amount representing depreciation	¥1,632	¥1,675	2,164	18,421
Amount representing interest	¥ 209	¥ 178	¥ 190	\$ 1,618

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

March 31	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Due within one year	¥ 393	¥ 418	¥ 587	\$ 5,001
Due after one year	2,092	1,790	2,462	20,953
Total minimum lease payments	¥2,485	¥2,208	¥3,049	\$25,954

15 DERIVATIVE FINANCIAL INSTRUMENTS

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

As of March 31, 2005 and 2006, there were no contract amounts outstanding for derivatives except for those held for "hedge accounting" purposes as described in Note 2 (3) (c) above.

16 EARNINGS PER SHARE INFORMATION

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

The following are earnings per share for the fiscal years ended March 31, 2004, 2005 and 2006 calculated using the new method:

Per share of common stock:	Yen		
	2004	2005	2006
Net income:			
Basic	¥75.60	¥71.44	¥81.42
Diluted	-	71.44	81.39

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

	The date of ordinary shareholders' meeting	Number of common shares granted (shares)	Exercise price per share (exact yen)	Exercise periods	
I. Stock options to purchase treasury stocks	June 29, 2000	149,000	2,636	From July 1, 2001 to June 30, 2006	
	June 28, 2001	145,000	2,200	From July 1, 2002 to June 30, 2007	
II. Stock option to purchase newly issued shares	June 27, 2002	151,000	2,131	From July 1, 2003 to June 30, 2008	
	June 27, 2003	157,000	1,255	From July 1, 2004 to June 30, 2009	
	June 29, 2004	182,000	1,575	From July 1, 2005 to June 30, 2010	
	June 29, 2005	211,000	1,308	From July 1, 2006 to June 30, 2011	
	Sub Total	995,000			
III. Decrease on the exercise of stock options	Month of decrease				
	In August, 2004	(29,000)	1,255		
	In November, 2004	(5,000)	1,255		
	In October, 2005	(3,000)	1,255		
	In November, 2005	(8,000)	1,255		
	In December, 2005	(3,000)	1,255		
	In January, 2006	(7,000)	1,255		
	In January, 2006	(3,000)	1,575		
	In February, 2006	(10,000)	1,575		
	In March, 2006	(8,300)	1,255		
	In March, 2006	(9,000)	1,575		
	IV. Decrease on the lapse of stock options by the end of fiscal year 2006		(5,000)	1,255	
			(7,000)	1,575	
		(66,000)	2,131		
		(7,000)	1,308		
		(108,000)	2,636		
As of March 31, 2006		(88,000)	2,200		
V. Decrease on the exercise of stock options		628,700			
	In April, 2006	(5,000)	1,575		
	In April, 2006	(3,000)	1,255		
In May, 2006	(3,000)	1,255			
VI. Decrease on the lapse of stock options after the end of fiscal year 2006					
	In May, 2006	(3,000)	2,131		
As of June 29, 2006		614,700			

The summary of the number of stock options is as follows.

The date of ordinary shareholders' meeting	29-Jun-00	28-Jun-01	27-Jun-02	27-Jun-03	29-Jun-04	29-Jun-05	Total
Exercise price per share (exact yen)	2,636	2,200	2,131	1,255	1,575	1,308	
Number of stock options (1)	1,490	1,450	1,510	1,570	1,820	2,110	9,950
Decrease on the exercise of stock options (2)	-	-	-	(633)	(220)	-	(853)
Decrease on the lapse of stock options (3)	(1,080)	(880)	(660)	(50)	(70)	(70)	(2,810)
Number of stock options as of March 31, 2006 (4)=(1)+(2)+(3)	410	570	850	887	1,530	2,040	6,287
Decrease on the exercise of stock options (5)	-	-	-	(60)	(50)	-	(110)
Decrease on the lapse of stock options (6)	-	-	(30)	-	-	-	(30)
Number of stock options as of June 29, 2006 (4)+(5)+(6)	410	570	820	827	1,480	2,040	6,147
Exercise periods	From July 1, 2001 to June 30, 2006	From July 1, 2002 to June 30, 2007	From July 1, 2003 to June 30, 2008	From July 1, 2004 to June 30, 2009	From July 1, 2005 to June 30, 2010	From July 1, 2006 to June 30, 2011	

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

2004 fiscal year, the average market price did not exceed the exercise price given, while the average market price for 2005 and 2006 fiscal years did exceed the exercise price given.

17 CONTINGENT LIABILITIES

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

18 SEGMENT INFORMATION

(1) Segments by Industry

Millions of yen					
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
March 31, 2004					
I. Net sales:					
(1) Outside customers	¥150,447	¥43,538	¥193,985	¥ –	¥193,985
(2) Inter-segment	289	1,602	1,891	(1,891)	–
Total	150,736	45,140	195,876	(1,891)	193,985
Operating expenses	133,661	44,079	177,740	479	178,219
Operating profit	¥ 17,075	¥ 1,061	¥ 18,136	¥(2,370)	¥ 15,766
II. Assets, depreciation and capital expenditure:					
Assets	¥111,392	¥14,576	¥125,968	¥32,109	¥158,077
Depreciation	4,887	128	5,015	18	5,033
Capital expenditure	9,022	3	9,025	–	9,025

Millions of yen					
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
March 31, 2005					
I. Net sales:					
(1) Outside customers	¥154,025	¥45,148	¥199,173	¥ –	¥199,173
(2) Inter-segment	361	1,793	2,154	(2,154)	–
Total	154,386	46,941	201,327	(2,154)	199,173
Operating expenses	140,836	45,280	186,116	(639)	185,477
Operating profit	¥ 13,550	¥ 1,661	¥ 15,211	¥ (1,515)	¥ 13,696
II. Assets, depreciation and capital expenditure:					
Assets	¥115,827	¥16,472	¥132,299	¥36,771	¥169,070
Depreciation	4,793	129	4,922	14	4,936
Capital expenditure	3,291	5	3,296	–	3,296

Millions of yen					
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
March 31, 2006					
I. Net sales:					
(1) Outside customers	¥164,568	¥47,759	¥212,327	¥ –	¥212,327
(2) Inter-segment	459	1,567	2,026	(2,026)	–
Total	165,027	49,326	214,353	(2,026)	212,327
Operating expenses	149,497	47,368	196,865	(255)	196,610
Operating profit	¥ 15,530	¥ 1,958	¥ 17,488	¥ (1,771)	¥ 15,717
II. Assets, depreciation and capital expenditure:					
Assets	¥121,871	¥17,889	¥139,760	¥42,945	¥182,705
Depreciation	4,709	111	4,820	15	4,835
Capital expenditure	5,844	7	5,851	–	5,851

Thousands of U.S. dollars					
	Printing business	Other businesses	Total	Elimination/Corporate	Consolidated
March 31, 2006					
I. Net sales:					
(1) Outside customers	\$1,400,931	\$406,565	\$1,807,496	\$ –	\$1,807,496
(2) Inter-segment	3,904	13,344	17,248	(17,248)	–
Total	1,404,835	419,909	1,824,744	(17,248)	1,807,496
Operating expenses	1,272,638	403,233	1,675,871	(2,170)	1,673,701
Operating profit	\$ 132,197	\$ 16,676	\$ 148,873	\$ (15,078)	\$ 133,795
II. Assets, depreciation and capital expenditure:					
Assets	\$1,037,463	\$152,283	\$1,189,746	\$365,586	\$1,555,332
Depreciation	40,090	948	41,038	121	41,159
Capital expenditure	49,749	57	49,806	–	49,806

Notes:

- Segment information by business activity is determined by considering the product line, the product market, and the management control of the business.
- Main products of each business segment:
 - Printing business: Printing of business forms and data printing services.
 - Other businesses: Sales of supplies and equipment related to the printing business, business information operating services and other.
- Corporate expenses mainly include the administrative expenses of the Company.
- "Assets" mainly include the short-term deposits and long-term investments of the Company.

(2) Geographic areas

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

REPORT OF INDEPENDENT AUDITORS

Toppan Forms Co., Ltd. and Consolidated Subsidiaries

June 29, 2006

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 subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOPPAN FORMS CO., LTD. and its subsidiaries as of March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

ChuoAoyama PricewaterhouseCoopers
(Certified Public Accountants)

PRINCIPAL SUBSIDIARIES AND AFFILIATES

(As of March 31, 2006)

Name	Country	Main business	Issued capital (Thousands)	Equity held by the Company (%)
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
Toppan Forms Process Co., Ltd.	Japan	Processing of business forms and DPS operations	¥ 100,000	100.0
Techno Toppan Forms Co., Ltd.	Japan	Sale, maintenance, and repair of office equipment	¥ 100,000	100.0
Toppan Forms (Sanyo) Co., Ltd.	Japan	Manufacture of business forms	¥ 50,000	100.0
Toppan Forms (Nishinihon) Co., Ltd.	Japan	Distribution, delivery, and storage services Manufacture of business forms	¥ 30,000	100.0
Toppan Forms (Kansai) Co., Ltd.	Japan	Distribution, delivery, and storage services Manufacture of business forms	¥ 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	100.0* ¹
Toppan Forms (Hong Kong) Ltd.	Hong Kong	Manufacture and sale of business forms; sale of plastic cards, computer supplies, DPS, and office automation machines	HK\$ 10,000	100.0* ²
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* ³

Total number of subsidiaries: 21

Total number of affiliates: 9

*¹ 30.0 percent directly owned by the Company and 70.0 percent indirectly owned through T.F. Company Limited.

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

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

*⁴ Toppan Forms (Tokai) Co.,Ltd., Toppan Forms (Nishinihon) Co.,Ltd., and Toppan Forms (Kansai) Co., Ltd. changed the name from Toppan Forms (Hamamatsu) Co., Ltd., Toppan Forms Services (Nishinihon) Co., Ltd., and Toppan Forms Services (Kansai), respectively.

BOARD OF DIRECTORS

(As of June 30, 2006)

CHAIRMAN AND REPRESENTATIVE DIRECTOR

Yasuhiro Fukuda

PRESIDENT AND CEO

Masanori Akiyama

SENIOR MANAGING DIRECTORS

Kenji Osanai

Takeo Sugi

MANAGING DIRECTORS

Michikata Kono

Hirohito Okada

Kenji Nitta

DIRECTORS

Naoki Adachi

Toshifumi Motohara

Takayoshi Otsubo

Keiichi Utaka

Eiji Kato

Kenji Tamada

Shigetaka Mori

CORPORATE AUDITORS

Tatsuo Yamamoto (full-time)

Yukio Terada (full-time)

Kunio Sakuma

Takeshi Toyama

INVESTOR INFORMATION

(As of March 31, 2006)

STOCK LISTING

Tokyo Stock Exchange

COMMON STOCK

Authorized: 400,000,000 shares

Issued: 115,000,000 shares

STOCK CODE

7862

STOCK TRANSACTION UNIT

100 shares

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

ChuoAoyama PricewaterhouseCoopers

(Member Firm of PricewaterhouseCoopers LLP)

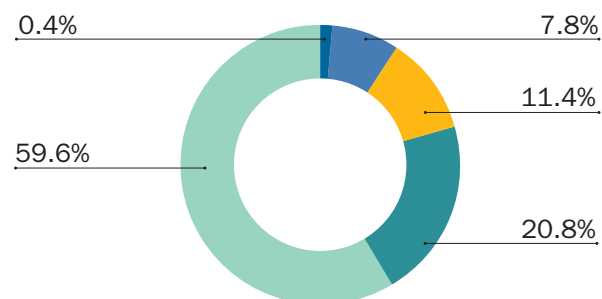
TRANSFER AGENT

Mitsubishi UFJ Trust and Banking Corporation

NUMBER OF SHAREHOLDERS

9,310

Shareholdings by Type of Shareholder



● Japanese Securities Firms ● Foreign Institutions and Individuals
● Japanese Individuals and Others ● Other Japanese Corporations
● Japanese Financial Institutions

TOPPAN FORMS CO.,LTD.

7-3, Higashi Shimbashi 1-chome,
Minato-ku, Tokyo 105-8311, Japan
Tel: 03-6253-6000
<http://www.toppa-f.co.jp/>

CHASING CHANGE