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## Financial Highlight

### Toppan Printing Co., Ltd and subsidiaries

Years ended 31st March, 1995, 1996 and 1997

	Millions of yen			Thousands of dollars
	1995	1996	1997	1997
Net sales	¥ 1,130,569	¥ 1,186,592	¥ 1,274,339	\$ 10,276,927
Net income	15,881	39,705	21,621	174,363
Per share of common stock (in yen and dollars)	22.87	54.57	30.25	0.24
Cash dividends paid	8,799	9,440	9,440	76,129
Total assets	1,069,042	1,126,303	1,151,883	9,289,379
Shareholders' investment	570,276	600,424	612,265	4,937,621

U.S. dollar amounts are translated from yen at the rate of ¥124 = U.S.\$1, as at 31st March, 1997

Note 1: The consolidated results for 31st March, 1995, reflected the ¥18,223 million (\$146,960 thousand) write-off pertaining to the acquisition of Toppan Moore Company Ltd.'s goodwill.

Note 2: The consolidated results for 31st March, 1996, include the ¥10,362 million (\$83,565 thousand) proceeds from the sale of Toppan Printing Co. (H.K.) Ltd.'s land.

Note 3: The consolidated results for 31st March, 1997, reflected the ¥9,015 million (\$72,702 thousand) write-off pertaining to the acquisition of Toppan Moore Company Ltd.'s, and Avery Toppan Company Ltd.'s goodwill.

## Consolidated Financial Review

### Toppan Printing Co., Ltd and subsidiaries

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#### Operation Review

In the year ended March 31, 1997, consolidated net sales of Toppan Printing Co., Ltd., and its consolidated subsidiaries increased 7.4% to ¥1,274.3 billion, while cost of sales rose 6.4% to ¥1,054.5 billion. As a result, gross profit for the year amounted ¥219.9 billion, a 12.2% increase.

Selling, general and administrative expenses grew 5.3% to ¥131.7 billion during the year. Consequently, operating income jumped 24.5% to ¥88.1 billion.

As for other incomes (expenses), as a result of acquisition of all the remaining stocks of both Toppan Moore Co., Ltd., and Avery Toppan Co., Ltd., goodwill totaling ¥9,015 million was written off in one lump sum. Accordingly, net income for the year decreased 45.5% to ¥21.6 billion.

#### Financial Position

Total assets increased 2.3% to ¥1,151.9 billion, which is attributed to the fact that notes and accounts receivable in current assets increased 6.3% to ¥394.4 billion as a result of increased sales amount, and that the Company aggressively strengthened its investment activities for properties, plants and equipment, increasing tangible assets by 7.9% to a total of ¥385.5 billion.

Total liabilities rose 2.6% to ¥539.6 billion. The major factor was that current liabilities climbed 4.5% to 449.2 billion, due primarily to the growth of bills payable and accounts payable.

Due to an increase in retained earnings, total stockholders' equity grew 2.0% to ¥612.3 billion. The equity ratio, however, fell 0.1% to 53.2%, since the increase in the total liability exceeded that in retained earnings.

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## Financial Summary

Toppan Printing Co., Ltd and subsidiaries

Years ended 31st March, 1993, 1994, 1995, 1996 and 1997

	Millions of yen					Thousands of dollars
	1993	1994	1995	1996	1997	1997
Net sales	¥ 1,098,514	¥ 1,089,964	¥ 1,130,569	¥ 1,186,592	¥ 1,274,339	\$10,276,927
Net income	29,524	31,804	15,881	39,705	21,621	174,363
Per share of common stock (in yen and dollars):	42.22	45.26	22.87	54.57	30.25	0.24
Cash dividends applicable						
to the period-Actual	10.00	10.00	13.00	13.50	13.50	0.11
-Adjusted	10.00	10.00	13.00	13.50	13.50	0.11
Property, plant and equipment, at cost	342,224	328,871	340,198	357,436	385,535	3,109,153
Investments and other assets	148,734	150,099	150,084	147,587	137,750	1,110,887
Shareholders' investment	507,929	533,287	570,276	600,424	612,265	4,937,621
Total assets	1,032,408	1,061,636	1,069,042	1,126,303	1,151,883	9,289,379
Research and development costs	15,369	15,917	15,090	15,426	15,874	128,016
Number of shares outstanding at fiscal year-end (thousands of shares)	676,549	676,691	699,246	699,282	699,300	
Number of employees	26,530	25,697	32,953	33,479	33,719	

As a result of the increase in the number of subsidiaries included in the consolidated financial statements for fiscal years 1995, the number of employees have increased significantly.

## Consolidated Balance Sheets

### Toppan Printing Co., Ltd and subsidiaries

As at 31st March, 1996 and 1997

	Millions of yen		Thousands of dollars
	1996	1997	1997
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents (Note 1)	¥ 179,466	¥ 164,214	\$ 1,324,306
Notes and accounts receivable-			
Trade	368,700	392,762	3,167,435
Non-consolidated subsidiaries and affiliates (Note 2)	2,237	1,684	13,581
Less: Allowance for doubtful receivables	(3,824)	(4,431)	(35,734)
Inventories (Note 1)-			
Finished goods and merchandise	27,751	28,344	228,581
Work in process and raw materials	40,635	39,198	316,113
Other current assets	6,315	6,827	55,057
<b>Total current assets</b>	<b>621,280</b>	<b>628,598</b>	<b>5,069,339</b>
Property, Plant and Equipment, at cost (Notes 1 and 3):			
Land	77,189	81,853	660,105
Buildings and structures	264,993	284,236	2,292,226
Machinery and equipment	501,010	541,066	4,363,435
	843,192	907,155	7,315,766
Less: Accumulated depreciation	(485,756)	(521,620)	(4,206,613)
	357,436	385,535	3,109,153
Investments and Other Assets:			
Investments in and advances to non-consolidated subsidiaries and affiliates (Notes 1 and 2)	39,771	38,359	309,347
Investment securities (Note 1)	76,360	67,366	543,274
Long-term loans receivable from employees and other	31,456	32,025	258,266
	147,587	137,750	1,110,887
<b>Total Assets</b>	<b>¥ 1,126,303</b>	<b>¥ 1,151,883</b>	<b>\$ 9,289,379</b>

The accompanying notes to the consolidated financial statements are an integral part of these balance sheets.

	Millions of yen		Thousands of dollars
	1996	1997	1997
<b>Liabilities and Shareholders' Investment</b>			
<b>Current Liabilities:</b>			
Short-term bank borrowings, average interest 3.4% at 31st March, 1997	¥ 29,337	¥ 34,960	\$ 281,935
Current portion of long-term indebtedness (Note 3)	17,545	1,251	10,089
Notes and accounts payable-			
Trade	283,209	297,751	2,401,218
Construction	34,175	40,679	328,056
Non-consolidated subsidiaries and affiliates (Note 2)	15,236	17,668	142,484
Accrued expenses	25,162	26,001	209,685
Income taxes (Notes 1 and 4)	25,181	30,876	249,000
<b>Total current liabilities</b>	<b>429,845</b>	<b>449,186</b>	<b>3,622,467</b>
<b>Long-term Liabilities:</b>			
Long-term indebtedness (Note 3)	66,616	64,279	518,379
Estimated termination and retirement allowances (Note 1)	22,075	22,543	181,798
Other long-term liabilities	34	236	1,904
	<b>88,725</b>	<b>87,058</b>	<b>702,081</b>
<b>Minority Interests</b>	<b>7,309</b>	<b>3,374</b>	<b>27,210</b>
<b>Commitments and Contingent Liabilities (Note 8)</b>			
<b>Shareholders' Investment (Note 5):</b>			
Common stock, par value ¥50 per share; Authorized-1,200,000,000 shares Outstanding-699,282,225 shares and 699,300,208 shares at 31st March, 1996 and 1997, respectively	104,935	104,942	846,306
Additional paid-in capital	117,658	117,694	949,145
Legal reserve	11,645	12,612	101,710
Retained earnings	366,186	377,017	3,040,460
<b>Retained earnings</b>	<b>600,424</b>	<b>612,265</b>	<b>4,937,621</b>
<b>Total Liabilities and Shareholders' Investment</b>	<b>¥ 1,126,303</b>	<b>¥ 1,151,883</b>	<b>\$ 9,289,379</b>

## Consolidated Statements of Income

### Toppan Printing Co., Ltd and subsidiaries

For the years ended 31st March, 1995, 1996 and 1997

	Millions of yen			Thousands of dollars
	1995	1996	1997	1997
<b>Net sales</b>	¥ 1,130,569	¥ 1,186,592	¥ 1,274,339	\$ 10,276,927
Cost of sales	933,587	990,642	1,054,486	8,503,919
Gross profit	196,982	195,950	219,853	1,773,008
Selling, general and administrative expenses	115,145	125,129	131,711	1,062,185
Operating income	81,837	70,821	88,142	710,823
Other income (expenses):				
Interest expense	(4,638)	(3,401)	(3,350)	(27,016)
Interest and dividend income	8,564	4,455	2,781	22,427
Rental income on leased equipment	993	1,466	2,224	17,935
Amortization of past service costs (Note 1)	(4,195)	(1,971)	(1,981)	(15,976)
Losses on liquidation of a non-consolidated subsidiary and an affiliate	(8,326)	(444)	-	-
Goodwill write-off (Note 1)	(18,223)	-	(9,015)	(72,702)
Loss from valuation of marketable securities and investment securities	-	-	(7,185)	(57,943)
Gain on sale of property	-	10,837	1,065	8,589
Other, net	(1,118)	(2,250)	(2,889)	(23,298)
	(26,943)	8,692	(18,350)	(147,984)
Income before income taxes	54,894	79,513	69,792	562,839
Provision for income taxes (Notes 1 and 4)	40,050	40,673	49,311	397,669
Net income before minority interests in net income of consolidated subsidiaries and equity in earnings of non-consolidated subsidiaries and affiliates	14,844	38,840	20,481	165,170
Minority interests in net income of consolidated subsidiaries	(556)	(324)	(882)	(7,113)
Equity in earnings of non-consolidated subsidiaries and affiliates (Note 1)	1,593	1,189	2,022	16,306
<b>Net income</b>	¥ 15,881	¥ 39,705	¥ 21,621	\$ 174,363
		(yen)		(dollars)
<b>Per share of common stock (Note 6):</b>				
Net income-	¥ 22.87	¥ 54.57	¥ 30.25	\$ 0.24
Cash dividends, applicable to earnings for the year	13.00	13.50	13.50	0.11

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated Statements of Shareholders' Investment

### Toppan Printing Co., Ltd and subsidiaries

For the years ended 31st March, 1995, 1996 and 1997

	Millions of yen			Thousands of dollars
	1995	1996	1997	1997
<b>Common Stock:</b>				
Beginning balance	¥ 90,158	¥ 104,921	¥ 104,935	\$ 846,250
Conversion of convertible bonds	16	14	7	56
Exercise of warrants	14,747	-	-	-
Ending balance	¥ 104,921	¥ 104,935	¥ 104,942	\$ 846,306
<b>Additional Paid-in Capital:</b>				
Beginning balance	¥ 102,913	¥ 117,644	¥ 117,658	\$ 948,855
Transfer by merger (Note 1)	-	-	29	234
Conversion of convertible bonds	16	14	7	56
Exercise of warrants	14,715	-	-	-
Ending balance	¥ 117,644	¥ 117,658	¥ 117,694	\$ 949,145
<b>Legal Reserve:</b>				
Beginning balance	¥ 9,791	¥ 10,685	¥ 11,645	\$ 93,911
Transfer from retained earning	894	960	959	7,734
Transfer by merger (Note 1)	-	-	8	65
Ending balance	¥ 10,685	¥ 11,645	¥ 12,612	\$ 101,710
<b>Retained Earnings:</b>				
Beginning balance	¥ 330,425	¥ 337,026	¥ 366,186	\$ 2,953,113
Net income	15,881	39,705	21,621	174,363
Cash dividends paid	(8,799)	(9,440)	(9,440)	(76,129)
Directors' bonuses	(331)	(365)	(366)	(2,952)
Transfer to legal reserve	(894)	(960)	(959)	(7,734)
Transfer by merger (Note 1)	-	-	(36)	(290)
Translation adjustment and other (Note 1)	744	220	11	89
Ending balance	¥ 337,026	¥ 366,186	¥ 377,017	\$ 3,040,460

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated Statements of Cash Flows

### Toppan Printing Co., Ltd and subsidiaries

For the years ended 31st March, 1995, 1996 and 1997

	Millions of yen			Thousands of dollars
	1995	1996	1997	1997
<b>Cash Flows from Operating Activities:</b>				
Net income	¥ 15,881	¥ 39,705	¥ 21,621	\$ 174,363
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	49,680	50,654	53,724	433,258
Provision for termination and retirement allowances	8,171	5,523	5,357	43,202
Deferred gains on forward exchange contracts	(372)	-	-	-
Equity in earnings of non-consolidated subsidiaries and affiliates	(1,593)	(1,189)	(2,022)	(16,306)
Payment of retirement allowances	(2,590)	(4,027)	(4,890)	(39,435)
(Increase), decrease in receivables and inventories	(32,912)	(27,135)	(22,059)	(177,895)
Increase, (decrease) in payables, accrued expenses and income taxes	16,991	23,775	30,105	242,782
Increase, (decrease) in minority interests	(14,195)	525	(3,935)	(31,734)
Other, net	(4,968)	3,610	(955)	(7,703)
Net cash provided by operating activities	34,093	91,441	76,946	620,532
<b>Cash Flows from Investing Activities:</b>				
Capital expenditures	(64,096)	(69,878)	(83,104)	(670,194)
Proceeds from sales of property, plant and equipment	4,204	3,034	3,574	28,823
Investments in and advances to subsidiaries and affiliates, net	11,127	2,691	3,433	27,685
Investment securities, net	(8,524)	(930)	8,994	72,532
Long-term loans receivable from employees and other, net	(2,110)	877	(2,863)	(23,088)
Net cash used in investing activities	(59,399)	(64,206)	(69,966)	(564,242)
<b>Cash Flows from Financing Activities:</b>				
Exercise of warrants	29,462	-	-	-
Dividends paid	(8,799)	(9,440)	(9,440)	(76,129)
Long-term indebtedness, net	(37,581)	1,295	(12,792)	(103,161)
Net Change in Cash and Cash Equivalents	(42,224)	19,090	(15,252)	(123,000)
Cash and Cash Equivalents at beginning of year	202,600	160,376	179,466	1,447,306
Cash and Cash Equivalents at end of year	¥ 160,376	¥ 179,466	¥ 164,214	\$ 1,324,306

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## 1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by Toppan Printing Co., Ltd. (the "Company") and its consolidated subsidiaries in the preparation of the consolidated financial statements.

### Basis of Presenting Financial Statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan, which are in conformity with accounting principles and practices generally accepted in Japan and Japanese income tax laws. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside of Japan.

For the convenience of the reader, the accompanying consolidated financial statements as at 31st March, 1997, and for the year then ended have also been presented in U.S. dollars by arithmetically translating all Japanese yen amounts at the approximate exchange rate of ¥124 to \$1.

### Principles of Consolidation

The accompanying consolidated financial statements for fiscal 1997, include the accounts of the Company and all its subsidiaries. Prior to 1996 most subsidiaries were consolidated while minor subsidiaries were accounted for using the equity method.

Material intercompany balances, transactions and profits have been eliminated in consolidation.

Investment in affiliates (20-50%-owned) have been accounted for by the equity method. These investments are included in investments in and advances to affiliates in the accompanying consolidated balance sheets.

In fiscal 1995, the Company acquired additional stocks of the Toppan Moore Co., Ltd. With this acquisition, the Company's rate of equity had risen from 55% to 90%. Goodwill totaling ¥18,223 million (US\$146,960 thousand) that the Company derived from the acquisition was redeemed in one lump sum.

In the year ended March 31, 1997, the Company acquired all the remaining stocks of the Toppan Moore Co., Ltd. and Avery Toppan Co., Ltd. With this acquisition, the Company's rate of equity in the Toppan Moore Co., Ltd. had risen from 90% to 100%, and that in the Avery Toppan Co., Ltd. from 50% to 100%. Goodwill totaling ¥9,015 million (\$ 72,702 thousand) that the Company derived from the acquisition was redeemed in one lump sum.

In fiscal 1997, the Company merged two of its wholly owned subsidiaries. The accounting treatment for this merger was accounted for in conformity with Japanese Commercial Code.

### Translation of Foreign Currencies

Foreign currency transactions are translated into Japanese yen using the exchange rates in effect at the time of the transactions or at the applicable exchange rates under forward exchange contracts. Current assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of each fiscal year, except that forward exchange contract rates are used where applicable and the resulting gains and losses are included in current income. Non-current assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the time of the transactions, except that forward exchange contract rates are used where applicable.

Financial statements of overseas consolidated subsidiaries are translated into Japanese yen by using the exchange rates prevailing at the end of each fiscal year, except that the exchange rates in effect at the time of transactions are used for shareholders' investment.

### Inventories

Inventories are stated at cost, being determined primarily by the following methods:

Merchandise	First in, first out method
Finished goods and work in process	Average as determined by the retail method
Raw materials	Average method

## Depreciation

Depreciation of property, plant and equipment is computed by using a declining-balance method over their estimated useful lives. Effective rates of depreciation for the years ended 31st March, 1995, 1996 and 1997, are summarized below:

	1995	1996	1997
Buildings and structures	8.4%	8.2%	8.3%
Machinery and equipment	25.6	26.1	25.8

The rates of depreciation are based on useful lives of 8 to 65 years for buildings and structures and 2 to 12 years for machinery and equipment.

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

## Marketable Securities and Investment Securities

Listed securities included in marketable securities (current) and investment securities (non-current) are primarily stated at the lower of cost or market, cost being determined by the moving average method. Other securities are primarily stated at moving average cost. (see table on page 28):

Effective April, 1996, the Company changed its valuation method for listed securities from the moving average cost to the lower of cost or market, cost being determined by the moving average method to reflect the decline of stock prices more immediately. As a result of this change, income before income taxes for the year ended 31st March, 1997, decreased by ¥7,185 million (\$57,944 thousand).

## Income Taxes

Provision is made currently for income taxes applicable to all items of revenues and expenses reported in income tax returns on the basis of when such items are taxable or deductible.

## Termination and Retirement Plans

Provision is made currently for income taxes applicable to all items of revenues and expenses reported in income tax returns on the basis of when such items are taxable or deductible.

The Company and certain consolidated subsidiaries have unfunded termination and retirement allowances plans covering all of their employees. In addition, the Company and certain subsidiaries have an integrated non-contributory funded pension plan. Also, certain consolidated subsidiaries have non-contributory funded pension plans for their employees.

Under the plans, employees are entitled to receive lump-sum payments at the time of termination or pension payments in case of termination at retirement age. The amounts of the termination and retirement allowances are determined on the basis of length of service and basic salary at the time of termination or retirement. Accruals have been made for allowances equal to 50% of the amount payable if all employees had voluntarily terminated their employment at the end of each fiscal year, or liabilities equal to 50% of the amount required on a voluntary basis less the amount payable from the non-contributory welfare pension fund.

Under the funded pension plans, the annual payments, including amortization of the past service costs over 8 to 20 years, are charged to income. The net assets of the pension plans as at 31st March, 1996, the latest date for available information, were ¥97,981 million (\$790,169 thousand). The aggregate unfunded past service costs amounted to approximately ¥5,046 million (\$40,694 thousand) as at 31st March, 1996, based on an assumed rate of return of 5.5%.

Amortization of the past service costs under the funded pension plan is shown as other expenses in the accompanying consolidated statements of income.

The total provisions and payments, including provisions for retirement allowance to directors and corporate auditors, charged to income under the plans for the years ended 31st March, 1995, 1996 and 1997, were as follows:

	Millions of yen	Thousands of dollars
1995	¥ 13,597	\$109,653
1996	12,450	100,403
1997	15,043	121,315

## Change in Accounting Policy:

In the year ended 31st March, 1995, the Company changed its method of accounting for retirement benefits to directors and corporate auditors from a cash basis to an accrual basis to reflect periodic income and expenses more appropriately. As a result of this change, income before income taxes for the year ended 31st March, 1995,

decreased by ¥2,665 million (\$21,492 thousand). This amount was included in amortization of past service costs. The retirement allowance to directors and corporate auditors is provided and determined based on the pertinent rules. The estimated amount to be paid if all directors and corporate auditors retire on the balance sheet date is also calculated based on these rules.

## Research and Development

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses include practical-application research expenses of the Technical Development Departments of each division, in addition to usual expenses of basic research, centered in the Toppan Technical Research Institute. The amounts for the years ended 31st March, 1995, 1996 and 1997, were as follows:

	Millions of yen	Thousands of dollars
1995	¥ 15,090	\$ 121,694
1996	15,426	124,403
1997	15,874	128,016

## Accounting for Stock Splits

Stock splits of common stock are accounted for by transferring an amount equivalent to the par value of such shares from additional paid-in capital to common stock as required by the provisions of the Japanese Commercial Code. However, no accounting recognition is made for stock splits when common stock already includes a portion of the proceeds from shares issued at a price in excess of par value. These methods of accounting are in conformity with accounting principles generally accepted in Japan.

## Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all time deposits and current marketable securities to be cash equivalents in conformity with the definition used in the Company's annual security report filed with the Minister of Finance.

## Reclassifications

Certain reclassifications have been made to previously reported 1995 and 1996 amounts to conform to the 1997 presentation. These reclassifications had no effect on previously reported net income or total shareholders' equity.

	Millions of yen		Thousands of dollars
	1996	1997	1997
Marketable securities-			
Marketable equity securities	¥ 4,628	¥ 3,680	\$ 29,677
Interest-bearing bonds and other	33,219	19,562	157,758
	¥ 37,847	¥ 23,242	\$ 187,435
Investment securities-			
Marketable equity securities	¥ 66,926	¥ 58,073	\$ 468,331
Non-marketable equity securities	9,199	9,123	73,572
Interest-bearing bonds and other	235	170	1,371
	¥ 76,360	¥ 67,366	\$ 543,274

The unrealized gains, net of unrealized losses, applicable to current and non-current marketable equity securities as at the respective balance sheet dates were as follows:

	Millions of yen		Thousands of dollars
	1996	1997	1997
Current	¥ 2,271	¥ 1,260	\$ 10,161
Non-current	86,288	81,204	654,871

Interest-bearing bonds represent primarily those issued by the government, government-sponsored agencies and banks.

## 2. Investments in and Advances to Non-Consolidated Subsidiaries and Affiliates

(a) Combined unaudited financial information of affiliates as at each balance sheet date and for each of the years presented were as follows:

	Millions of yen		Thousands of dollars
	1996	1997	1997
<b>Financial Position</b>			
<b>Assets-</b>			
Current assets	¥ 226,932	¥ 218,101	\$ 1,758,879
Net property and other assets	173,305	170,585	1,375,686
	¥ 400,237	¥ 388,686	\$ 3,134,565
<b>Liabilities-</b>			
Current liabilities	¥ 167,777	¥ 140,979	\$ 1,136,927
Other liabilities	70,718	89,779	724,025
Shareholders' investment	161,742	157,928	1,273,613
	¥ 400,237	¥ 388,686	\$ 3,134,565

	Millions of yen			Thousands of dollars
	1995	1996	1997	1997
<b>Operations:</b>				
Net sales	¥335,730	¥352,930	¥ 346,459	\$ 2,794,024
Costs and expenses	330,338	348,911	340,135	2,743,024
Net income	¥ 5,392	¥ 4,019	¥ 6,324	\$ 51,000

(b) Summarized below are significant transactions with non-consolidated subsidiaries and affiliates for the years ended 31st March, 1995, 1996 and 1997:

	Millions of yen			Thousands of dollars
	1995	1996	1997	1997
Sales	¥ 3,095	¥ 2,383	¥ 2,120	\$ 17,097
<b>Cost of sales-</b>				
Purchases of materials	17,321	23,278	26,217	211,427
Subcontractors' fees	10,356	8,617	7,433	59,944
Interest and dividend income	695	711	713	5,750
Rental income	7	616	732	5,903

### 3. Long-Term Indebtedness

Long-term indebtedness as at 31st March, 1996 and 1997, is detailed in the table below:

	Conversion /	Millions of yen		Thousands of dollars
	subscription price (yen per share)	1996	1997	1997
Unsecured convertible bonds-				
3.0%, due 1997	¥ 778.40	¥ 107	¥ 93	\$ 750
1.9%, due 2001	1,645.10	24,934	24,934	201,081
1.4%, due 2005	2,235.20	34,950	34,950	281,855
1.2%, due 1997	2,235.20	14,890	-	-
Secured bonds-				
2.5%, due 2004	-	-	500	4,032
7.1%, due 1998	-	200	200	1,613
Unsecured loans-				
Japanese banks, 1.0-16.5% due 1998 through 2003	-	3,673	2,127	17,153
Foreign banks, 5.9-16.3%, due 1998 through 2003	-	2,389	501	4,040
Mortgage loans-				
Japanese banks, 2.6-5.4%, due 1998 through 2003	-	2,792	2,225	17,944
Foreign banks, 1.7-3.7%, due 1997 through 2002	-	226	-	-
		84,161	65,530	528,468
Less: Current portion included in current liabilities		(17,545)	(1,251)	(10,089)
		¥ 66,616	¥ 64,279	\$ 518,379

As at 31st March, 1997, property, plant and equipment with a net book value of ¥5,344 million (\$43,097 thousand) was pledged as collateral for long-term indebtedness.

The convertible bonds are convertible into common stock at the option of the holders, currently at applicable conversion prices per share as listed in the table. These conversion prices are subject to adjustment for subsequent stock splits of common stock and shares issued at less than market value. The outstanding convertible bonds are redeemable at the option

of the Company at prices ranging from 107% to 100% of the principal amount under certain conditions as provided in the respective agreements. The unsecured convertible bonds are subject to certain covenants such as restrictions on dividends, earnings and certain additional secured indebtedness, as defined in the agreements. The Company presently estimates none of such covenants would be applicable to the outstanding bonds.

If all outstanding convertible bonds had been converted into common stock as at 31st March, 1997, approximately 30,930 thousand shares of common stock would have been issuable.

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given upon request of the bank under certain circumstances, and that any collateral so furnished will be applicable to all indebtedness to that bank. To date, the Company and its consolidated subsidiaries have not received any such requests from the banks. In addition, the agreements provide that the bank has the right to offset cash deposits against any short-term or long-term debt that becomes due, and in case of default and certain other specified events, against all other debt payable to the bank.

The aggregate annual maturities of long-term loans subsequent to 31st March, 1998, are as follows:

Fiscal year ending 31st March	Millions of yen	Thousands of dollars
1999	¥ 2,274	\$ 18,339
2000	740	5,968
2001	309	2,492
2002	187	1,508
2003 and thereafter	185	1,492

## 4. Income Taxes

The Company and its consolidated subsidiaries are subject to several taxes (corporate, inhabitant and enterprise) based on income. The aggregate statutory tax rates and the effective tax rates for the years ended 31st March, 1995, 1996 and 1997, are as follows:

	1995	1996	1997
Statutory tax rate	51%	51%	51%
Effective tax rate	73	51	71

Variances between the statutory tax rates and the effective tax rates exist primarily because of (a) the effect of timing differences in the recognition of certain revenues and expenses for tax and financial statement purposes, and (b) the effect of permanently non-deductible expenses and non-taxable income. The results for the years ended 31st March, 1995 and 1997, was affected by the lump-sum write-off of goodwill pertaining to the acquisition of Toppan Moore Co., Ltd.'s in 1995 and that of Toppan Moore Co., Ltd. and Avery Toppan Co., Ltd. in 1997. Enterprise tax, which is based on income, has been recorded on an accrual basis and charged to general and administrative expenses in the books of the Company and its consolidated subsidiaries, but has been reclassified to provision for income taxes in the accompanying consolidated statements of income. Enterprise taxes for the years ended 31st March, 1995, 1996 and 1997, were as follows:

	Millions of yen	Thousands of dollars
1995	¥ 8,909	\$71,847
1996	8,598	69,339
1997	10,491	84,605

## 5. Shareholders' Investment

The Japanese Commercial Code provides that an amount equivalent to at least 10% of cash dividends paid and of other cash outlays in each fiscal or interim six-month period be appropriated to a legal reserve until such reserve equals 25% of the issued share capital.

The Code also provides that neither the additional paid-in capital nor the legal reserve is available for cash dividends, but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

Year-end dividends are approved by the shareholders after the end of each fiscal year, and interim dividends are declared by the Board of Directors after the end of each semi-annual period. In accordance with the Commercial Code, the year-end dividends and the related appropriation of retained earnings are not reflected in the consolidated financial statements at the end of each fiscal year.

On 27th June, 1997, the shareholders approved the declaration of a year-end cash dividend totalling ¥4,895 million (\$39,476 thousand), which was paid in that month to the shareholders of record as at 31st March, 1997, and the related appropriation of retained earnings to legal reserve of ¥506 million (\$4,081 thousand).

## 6. Per Share Data

Net income per share is based on the weighted average number of shares of common stock outstanding and dilutive common stock equivalents. The 3.0%, 1.9%, and 1.4%, convertible bonds were considered as common stock equivalents and were included in the calculation of earnings per share when they were dilutive. In computing net income per share, net income is adjusted, at net of income taxes, by interest expense on the convertible bonds.

Dividends per share shown in the accompanying consolidated statements of income have been presented on an accrual basis but include dividends approved after each fiscal year-end and are applicable to the year then ended.

The number of shares of common stock outstanding used in computing net income per share was as follows:

	In thousands of shares
1995	718,925
1996	736,851
1997	736,805

## 7. Commitments and Contingent Liabilities

Commitments outstanding as at 31st March, 1997, for capital expenditures approximated ¥61,553 million (\$496,395 thousand).

As at 31st March, 1997, the Company and its subsidiaries were contingently liable for trade notes receivable discounted with banks of ¥2,753 million (\$22,202 thousand). The average interest rate of the notes discounted with banks was 1.6% per annum as at 31st March, 1997.

The Company and its subsidiaries were also contingently liable as guarantors for the borrowings of certain subsidiaries, affiliates and subcontractors, amounting to ¥1,492 million (\$12,032 thousand) as at 31st March, 1997.

The Company and its consolidated subsidiaries had cancellable and noncancellable long-term lease agreements, principally for office space and computer equipment. Annual rental expenses for the years ended 31st March, 1995, 1996 and 1997, were as follows:

	Millions of yen	Thousands of dollars
1995	¥ 37,406	\$ 301,661
1996	35,808	288,774
1997	37,000	298,387

## 8. Segment Information

Effective for the year ended 31st March, 1997 the Company is required to disclose certain audited segment information concerning assets, depreciation and capital expenditure.

The Company's primary business activities include products produced through printing-related facilities and machineries, as well as other segments.

A summary of net sales, costs and expenses, and operating income by segment of business activities for the year ended 31st March, 1995, 1996 and 1997, was as follows:

Geographical segment information was not presented as the sales and assets of consolidated domestic subsidiaries for the year ended 31st March, 1995, 1996 and 1997 exceed 90% of consolidated sales and assets.

The overseas sales of the Company and its consolidated subsidiaries for the year ended 31st March, 1995, 1996 and 1997, were less than 10% of consolidated net sales.

1995	Millions of yen				
	Printing	Other	Total	Elimination	Consolidated
Net sales:					
Outside customers	¥ 1,016,184	¥ 114,385	¥ 1,130,569	¥ -	¥ 1,130,569
Inter segment	9,006	32,702	41,708	(41,708)	-
Total	1,025,190	147,087	1,172,277	(41,708)	1,130,569
Cost and expense	945,821	144,619	1,090,440	(41,708)	1,048,732
Operating income	¥ 79,369	¥ 2,468	¥ 81,837	¥ -	¥ 81,837

1996	Millions of yen				
	Printing	Other	Total	Elimination	Consolidated
Net sales:					
Outside customers	¥ 1,071,020	¥ 115,572	¥ 1,186,592	¥-	¥ 1,186,592
Inter segment	23,259	38,080	61,339	(61,339)	-
Total	1,094,279	153,652	1,247,931	(61,339)	1,186,592
Cost and expense	1,024,895	152,215	1,177,110	(61,339)	1,115,771
Operating income	¥ 69,384	¥ 1,437	¥ 70,821	¥ -	¥ 70,821
Assets	¥ 1,089,366	¥ 66,942	¥ 1,156,308	¥ (30,005)	¥ 1,126,303
Depreciation	¥ 48,978	¥ 654	¥ 49,632	¥ -	¥ 49,632
Capital expenditure	¥ 65,815	¥ 411	¥ 66,226	¥ -	¥ 66,226

1997	Millions of yen				
	Printing	Other	Total	Elimination	Consolidated
Net sales:					
Outside customers	¥ 1,151,132	¥ 123,207	¥ 1,274,339	¥ -	¥ 1,274,339
Inter segment	25,556	44,734	70,290	(70,290)	-
Total	1,176,688	167,941	1,344,629	(70,290)	1,274,339
Cost and expense	1,090,269	166,218	1,256,487	(70,290)	1,186,197

Operating income	¥ 86,419	¥ 1,723	¥ 88,142	¥ -	¥ 88,142
Assets	¥ 1,111,036	¥ 64,928	¥1,175,964	¥(24,081)	¥ 1,151,883
Depreciation	¥ 51,426	¥ 332	¥ 51,758	¥ -	¥ 51,758
Capital expenditure	¥ 77,996	¥ 499	¥ 78,495	¥ -	¥ 78,495

1997

Thousands of dollars

	Printing	Other	Total	Elimination	Consolidated
Net Sales:					
Outside customers	\$ 9,283,322	\$ 993,605	\$10,276,927	\$ -	\$10,276,927
Inter segment	206,097	360,758	566,855	(566,855)	-
Total	9,489,419	1,354,363	10,843,782	(566,855)	10,276,927
Cost and expense	8,792,492	1,340,468	10,132,960	(566,855)	9,566,104
Operating income	\$ 696,927	\$ 13,895	\$ 710,823	\$ -	\$ 710,823
Assets	\$ 8,959,968	\$ 523,613	\$ 9,483,581	\$ (194,202)	\$ 9,289,379
Depreciation	\$ 414,726	\$ 2,677	\$ 417,403	\$ -	\$ 417,403
Capital expenditure	\$ 629,000	\$ 4,024	\$ 633,024	\$ -	\$ 633,024