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# I. Management Policies

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## 1. Fundamental Policies

Our corporate philosophy states: *Each of us shall reciprocate our customers' continued trust, create dedicated products by harnessing our vibrant knowledge and technology, and contribute to fulfilling lifestyles as a mainstay of information and culture.* Our fundamental management policy is to move ahead in tandem with our customers and society.

Under Toppan Vision 21, which outlines our corporate structure and business fields, all employees share the same goal-orientation and values and continually take on the challenge of establishing new technologies and operations. At the same time, we follow strict ethical principles in relation to society and emphasize respect for the environment and the importance of safety in all of our corporate activities. On that foundation, we will take a steady approach to the most important medium to long-term issues that we face: reforming our operational structure, improving our profitability, and bolstering the Group's comprehensive strengths.

In reforming our organizational structure, we will strive to record continued growth by implementing separate operational strategies for printing and new fields of business and enhancing our competitive strengths. In working to improve our profitability, we will continue to reform our profit structure and implement thorough cost-cutting initiatives. At the same time, we will emphasize investment projects that will contribute to improved profitability in the short term as well as investments targeting the establishment of new fields of business over the medium to long term. In bolstering the Group's comprehensive strengths, we will reinforce the management foundation of Group companies, bolster operational tie-ups, increase enterprise value on a Groupwide basis, and enhance the Toppan brand. In addition to these challenges, we are also implementing aggressive activities in the area of corporate social responsibility (CSR). To reinforce our commitment to ethical business practices, we have built an in-house, independent auditing system comprising the Compliance Department and the Internal Auditor's Office. Externally, audits are performed by certified public accountants. In regard to the environment, to help prevent global warming, we will implement energy-saving measures, and at the same time we will steadily take steps to lessen the environmental burden of our operational activities, such as pollution prevention, waste reduction, and zero emissions initiatives. Also, in social and cultural activities, our activities will center on the Printing Museum, Tokyo and Toppan Hall.

As we resolve these management challenges, we will strive to expand our operational fields, create new sources of profit, and ensure that the Toppan Group records steady growth and is highly regarded and trusted not only by its shareholders and customers but also by society.

## **Reforming Operational Structure**

Realization of new fields of business

# **TOPPAN VISION 21**

Customer First Policy

## **Improving Profitability**

Selection and concentration

Cost cutting

Enhancing our comprehensive quality assurance system

Optimizing human resources

Increasing added value

## **Bolstering the Comprehensive Strengths of the Group**

Strengthening group synergies

Maximizing growth potential and profitability

Creating new businesses

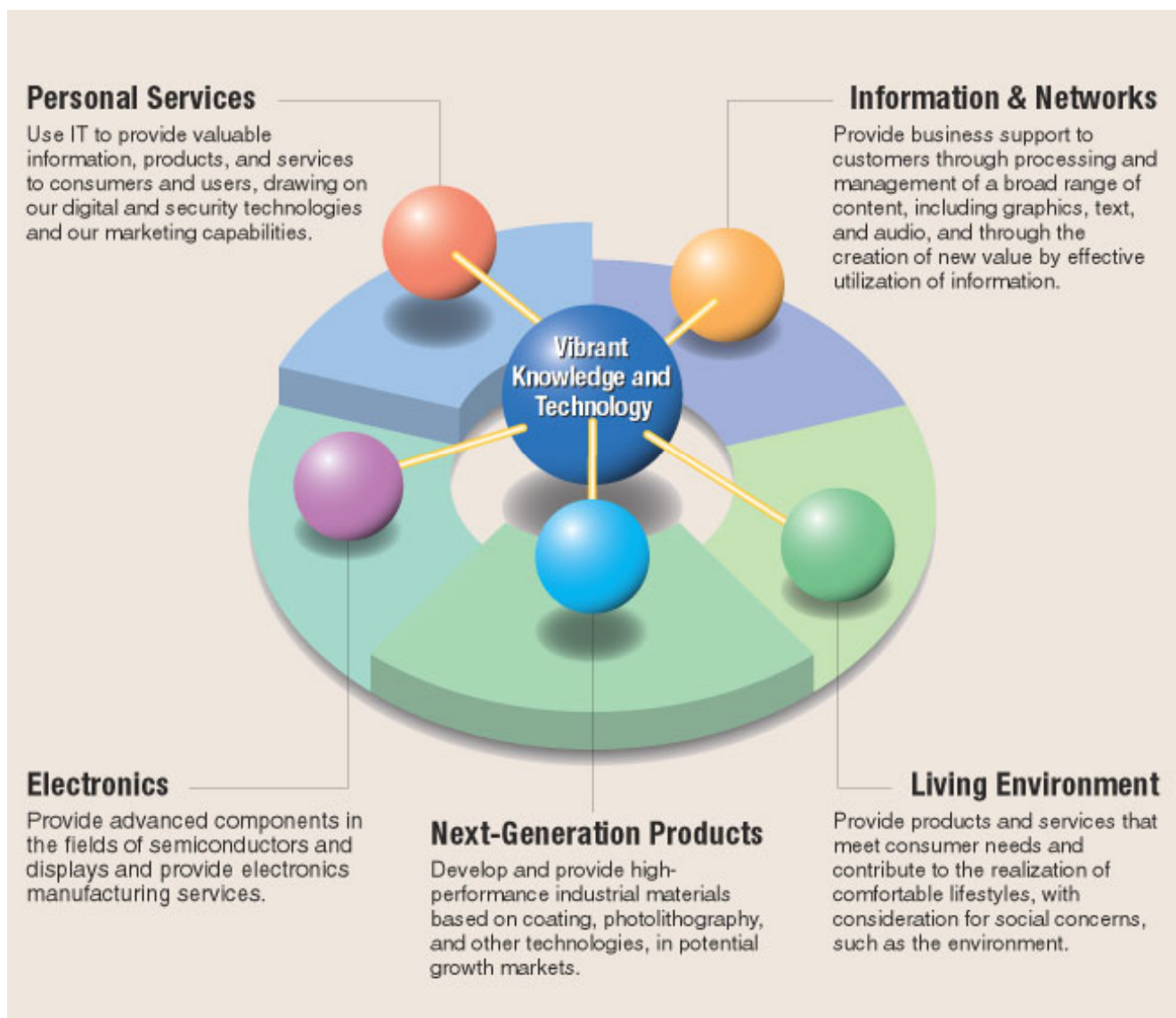
## 2. Reforming Our Operational Structure

To strengthen our position as a leading information and communications company and achieve continued growth, we will work to create new value in our established printing operations and to create new fields of business, thereby bolstering our competitive strengths.

In IC tags, our activities will be centered on the IC Business Division established in December 2003. We will steadily respond to the growing market by utilizing the range of verification and testing know-how that we have cultivated to provide comprehensive solutions.

In the Electronics Division, a key focus will be on products for the LCD color TV market, which is expected to record increased demand in Japan and overseas. We will conduct R&D in new manufacturing methods, such as the reverse printing and ink jet methods, thereby bolstering our competitive strength in color filter markets. In addition, we will implement even more aggressive operational development, such as expanding our plant for high-precision screens for use in large rear projection TVs, for which demand is growing in North America.

Furthermore, we will take steps to establish next-generation, highly profitable operational fields. These steps will include conducting research in organic electroluminescent displays, which have potential as the displays of the future, and working to develop printed electronics, which uses printing technology to produce thin-film transistors.



### 3. Improving Our Profitability

Toppan will work to thoroughly bolster its management foundation. We will provide customers with optimal solutions based on an accurate grasp of market changes, and at the same time, we will strive to steadily establish new fields of business that will become sources of profits in the future. With a continued focus on reforming our profit structure, we will work to build a corporate constitution that can generate increased profits even in a low-growth operating environment.

#### Reforming our Profit Structure

- In Information & Networks, following the reorganization of the printing divisions, we have reorganized and integrated the prepress and planning divisions, establishing Toppan Graphic Communications Co., Ltd., and Toppan Idea Center Co., Ltd. Our goal in these endeavors is to enhance our profitability by streamlining our organization and increasing our production efficiency.
- In Living Environment, we will work to open up new markets by aggressively developing and launching original products and services that meet society's needs in such areas as environmental friendliness and safety. At the same time, we will strive to bolster our competitive strength in the marketplace by restructuring our paper container operations.
- In Electronics, we will pursue tie-ups with other leading companies and implement appropriately timed capital investment to develop leading-edge technologies and establish mass production techniques. In photomasks, we will build competitive superiority through the development of leading-edge devices and the establishment of a reliable mass production system. In color filters, we are working to improve profitability. We have brought on stream a production line at Toppan CFI (Taiwan) Co., Ltd., and a line for products for LCD TVs in Mie Prefecture, in Japan.
- In capital investment, we will emphasize a balance between investment projects that will contribute to improved profitability in the short term and those targeting new fields of business over the medium to long term. Our plans call for capital investment of ¥100.0 billion on a consolidated basis in the fiscal year ending March 2005.

#### Continued Implementation and Reinforcement of Cost Reduction Initiatives

- We will reevaluate staffing at every business site and department and work to achieve an optimal allocation of personnel. By reallocating personnel as necessary, we will reduce outsourcing expenses and lower total labor costs.
- Through reorganization of production bases by product and region, we will improve production efficiency, reduce indirect expenses and work to reduce costs. We will also continue to aggressively rationalize low profit operations, striving to enhance profitability. At the same time, we will consider withdrawing from business fields if necessary.
- In procurement of raw materials, we will work to reduce costs through the thorough use of competitive procurement. We will also work to reduce costs by acquiring high-quality materials at low prices through the utilization of centralized buying.

### 4. Bolstering the Group's Comprehensive Strengths

We will endeavor to enhance the Group's comprehensive strengths by leveraging the distinctive capabilities of each Group company and facilitating a cross-linked system of mutual support. We will convert subsidiaries and affiliates that are competitive in specialized fields into independent companies, work to build them into leaders in their own fields, and thereby increase the enterprise value of the Group as a whole.

In addition, we will effectively utilize the management resources of each Group company and, from a global perspective, enter tie-ups that draw on the strengths of Group companies, thereby bolstering the Toppan brand.

# II. Consolidated Highlights

## 1 Statement of Income Data

|                  | March 2004         |                         | March 2005 (Estimated) |                         |
|------------------|--------------------|-------------------------|------------------------|-------------------------|
|                  | % millions of yen  | change to previous year | % millions of yen      | change to previous year |
|                  |                    | % millions of yen       |                        | % millions of yen       |
| Net sales        | 100.0<br>1,297,357 | 3.7<br>45,752           | 100.0<br>1,400,000     | 7.9<br>102,643          |
| Operating income | 4.8<br>61,956      | 21.1<br>10,788          | 5.6<br>78,000          | 25.9<br>16,044          |
| Ordinary income  | 4.8<br>62,016      | 22.2<br>11,277          | 5.6<br>78,000          | 25.8<br>15,984          |
| Net income       | 2.4<br>31,229      | 7.2<br>2,104            | 2.7<br>37,500          | 20.1<br>6,271           |

|                        |                  |            |             |            |             |
|------------------------|------------------|------------|-------------|------------|-------------|
| Information & Networks | Net sales        | 749,944    | 0.1 904     | 757,800    | 10 7,856    |
|                        | Operating income | 66 49,386  | 10.0 4,500  | 68 51,200  | 3.7 1,814   |
| Living Environment     | Net sales        | 359,753    | 0.7 2,463   | 381,900    | 62 22,147   |
|                        | Operating income | 42 15,144  | 18.6 2,370  | 45 17,300  | 14.2 2,156  |
| Electronics            | Net sales        | 229,387    | 25.5 46,602 | 302,300    | 31.8 72,913 |
|                        | Operating income | 7.2 16,490 | 39.5 4,672  | 9.8 29,500 | 78.9 13,010 |
| Elimination            | Net sales        | ▲41,728    | 4,219       | ▲42,000    | ▲272        |
|                        | Operating income | ▲19,065    | ▲755        | ▲20,000    | ▲935        |

## 2 Segment Result

|                        |                  | March 2004                     |                 |                         |                                |                 |                         |                          |                 |                         |
|------------------------|------------------|--------------------------------|-----------------|-------------------------|--------------------------------|-----------------|-------------------------|--------------------------|-----------------|-------------------------|
|                        |                  | former half of the fiscal year |                 |                         | latter half of the fiscal year |                 |                         | total of the fiscal year |                 |                         |
|                        |                  | %                              | millions of yen | change to previous year | %                              | millions of yen | change to previous year | %                        | millions of yen | change to previous year |
| Information & Networks | Net sales        | 36.0                           | 596             | -0.5 ▲1,788             | 38.9                           | 348             | 0.7 2,692               | 74.9                     | 944             | 0.1 904                 |
|                        | Operating income | 6.3                            | 22,584          | 14.7 2,888              | 6.9                            | 26,802          | 6.4 1,612               | 6.6                      | 49,386          | 10.0 4,500              |
| Living Environment     | Net sales        | 17.8                           | 313             | -0.5 ▲918               | 18.1                           | 440             | 1.9 3,381               | 35.9                     | 753             | 0.7 2,463               |
|                        | Operating income | 4.1                            | 7,395           | 18.9 1,174              | 4.3                            | 7,749           | 18.3 1,196              | 4.2                      | 15,144          | 18.6 2,370              |
| Electronics            | Net sales        | 10.0                           | 745             | 13.6 12,026             | 12.8                           | 642             | 36.8 34,576             | 22.9                     | 387             | 25.5 46,602             |
|                        | Operating income | 3.1                            | 3,085           | -72.4 ▲8,105            | 10.4                           | 13,405          | 2,034.6 12,777          | 7.2                      | 16,490          | 39.5 4,672              |
| Elimination            | Net sales        | ▲19.6                          | 79              | ▲2,465                  | ▲22.0                          | 49              | ▲1,754                  | ▲41.7                    | 28              | ▲4,219                  |
|                        | Operating income | ▲9.6                           | 52              | ▲482                    | ▲9.4                           | 83              | ▲273                    | ▲19.0                    | 65              | ▲755                    |
| Consolidated           | Net sales        | 61.9                           | 976             | 1.1 6,855               | 67.7                           | 381             | 6.1 38,897              | 1,297.3                  | 567             | 3.7 45,752              |
|                        | Operating income | 3.8                            | 23,483          | -16.2 ▲4,525            | 5.7                            | 38,473          | 66.1 15,313             | 4.8                      | 61,956          | 21.1 10,788             |
|                        | Ordinary income  | 4.0                            | 24,467          | -17.3 ▲5,123            | 5.5                            | 37,549          | 77.5 16,400             | 4.8                      | 62,016          | 22.2 11,277             |
|                        | Net income       | 1.9                            | 12,044          | -11.3 ▲1,529            | 2.8                            | 19,185          | 23.4 3,633              | 2.4                      | 31,229          | 7.2 2,104               |

## Results in the year ended March 2004

In the Information & Networks segment, sales in the securities and cards division were strong. In our IC solutions business, demand was favorable for transportation-related IC cards and for products related to resident registration cards, and we also received orders for tickets containing IC chips. In contract services, centered on information processing, sales were strong, but demand for forms and PET cards declined. In commercial printing, we worked to develop operations in such areas as the integrated production of sales promotion materials, where we combine our nationwide production network for printed media and our IT capabilities, as well as electronic catalogs. As a result, sales of flyers, pamphlets, and POP materials increased. In publications printing, we used our digitization technologies to expand our business in the distribution of electronic publications. At the same time, we worked to receive orders for new magazines and large-lot books, but due to the slumping market, magazines and books declined. In business forms, sales were favorable due to integrated orders for data print services (DPS). In the Living Environment segment, the packaging division recorded lower sales of general-use paper containers and plastic products, but increased sales were registered by environmentally friendly products, such as Cartocan and GL film, and by high-value-added packaging products. In industrial materials, sales of general-use wallpaper and decorative panels declined, but significantly higher sales were recorded by environmentally friendly products, highly decorative coated paper, and original brand 101 Series products. New products also recorded higher sales. In the Electronics segment, demand for color filters was favorable accompanying growth in the market for LCD displays. Our fifth-generation color filter line in Taiwan contributed to our performance, and the sixth-generation ultra large color filter line in Mie Prefecture, in Japan, was brought on stream. The photomask market was sluggish even though the semiconductor market was favorable overall, and growth in market demand for leading-edge photomasks did not meet expectations. Screens used in rear projection LCD TVs enjoyed favorable sales, with support from solid overseas demand and a shift in the market to the micro device method, in which we have strong capabilities. Consolidated net sales increased 3.7%, to ¥1,297.3 billion, and operating income was up 21.1%, to ¥61.9 billion. Ordinary income rose 22.2%, to ¥62.0 billion, and net income increased 7.2%, to ¥31.2 billion.

## 3 Segment Estimated

|                        |                  | 2005 (Estimated)               |         |                 |        |                                |         |                 |        |                          |           |                 |         |
|------------------------|------------------|--------------------------------|---------|-----------------|--------|--------------------------------|---------|-----------------|--------|--------------------------|-----------|-----------------|---------|
|                        |                  | former half of the fiscal year |         |                 |        | latter half of the fiscal year |         |                 |        | total of the fiscal year |           |                 |         |
|                        |                  | %                              |         | millions of yen |        | %                              |         | millions of yen |        | %                        |           | millions of yen |         |
| Information & Networks | Net sales        |                                | 363,800 | 0.9             | 3,204  |                                | 384,000 | 1.2             | 4,652  |                          | 757,800   | 1.0             | 7,856   |
|                        | Operating income | 6.1                            | 22,300  | -1.3            | ▲284   | 7.3                            | 28,900  | 7.8             | 2,098  | 6.8                      | 51,200    | 3.7             | 1,814   |
| Living Environment     | Net sales        |                                | 190,100 | 6.6             | 11,787 |                                | 191,800 | 5.7             | 10,360 |                          | 381,900   | 6.2             | 22,147  |
|                        | Operating income | 4.4                            | 8,400   | 13.6            | 1,005  | 4.6                            | 8,900   | 14.9            | 1,151  | 4.5                      | 17,300    | 14.2            | 2,156   |
| Electronics            | Net sales        |                                | 144,100 | 43.0            | 43,355 |                                | 158,200 | 23.0            | 29,558 |                          | 302,300   | 31.8            | 72,913  |
|                        | Operating income | 9.2                            | 13,300  | 331.1           | 10,215 | 10.2                           | 16,200  | 20.9            | 2,795  | 9.8                      | 29,500    | 78.9            | 13,010  |
| Elimination            | Net sales        |                                | ▲20,000 |                 | ▲321   |                                | ▲22,000 |                 | 49     |                          | ▲42,000   |                 | ▲272    |
|                        | Operating income |                                | ▲10,000 |                 | ▲418   |                                | ▲10,000 |                 | ▲517   |                          | ▲20,000   |                 | ▲935    |
| Consolidated           | Net sales        |                                | 678,000 | 9.4             | 58,024 |                                | 722,000 | 6.6             | 44,619 |                          | 1,400,000 | 7.9             | 102,643 |
|                        | Operating income | 5.0                            | 34,000  | 44.8            | 10,517 | 6.1                            | 44,000  | 14.4            | 5,527  | 5.6                      | 78,000    | 25.9            | 16,044  |
|                        | Ordinary income  | 5.0                            | 34,000  | 39.0            | 9,533  | 6.1                            | 44,000  | 17.2            | 6,451  | 5.6                      | 78,000    | 25.8            | 15,984  |
|                        | Net income       | 2.5                            | 17,000  | 41.1            | 4,956  | 2.8                            | 20,500  | 6.9             | 1,315  | 2.7                      | 37,500    | 20.1            | 6,271   |

## 4 Operational Plan for Year Ending March 2005

Based on Toppan Vision 21, which outlines our corporate structure in the 21st century, we are moving ahead with operations using our IT and marketing capabilities while implementing technology development that anticipates emerging market needs. By displaying our unique comprehensive strengths, we will work to maintain the trust of our customers and to achieve further expansion of our operations.

For example, we expect growth in demand for IC tags in the future and we are working with these devices in all of our business fields. Centered on the IC Business Division, established in December 2003, we are aggressively promoting our IC tag operations. Using original chips that were developed based on the technologies cultivated in such areas as IC cards and electronics, such as the Tjunction, TesStar, and MM Chip, we are making use of know-how cultivated through participation in a range of verification and testing activities. At the same time, we are aggressively moving ahead with the full-fledged start up of business activities and are implementing a number of initiatives, such as the development of a range of applications.

### Information & Networks

With domestic economic conditions improving and spending on advertising bottoming out, there are some relatively favorable signs in the operating environment. Nonetheless, publications markets are expected to remain sluggish.

- In securities and cards, further significant market growth is expected in IC card related products, and accordingly we will bolster our IC card system development and planning capabilities and provide comprehensive solutions to customers. In addition, we will work aggressively to accumulate know-how in IC tag operations through participation in verification and testing. At the same time, we will strive to open new markets and develop new applications for counterfeit prevention including business form management tags and brand verification. In addition, we will work to improve our performance with steady efforts in administrative contract services, for which demand is expected to increase.
- In commercial printing, we will effectively combine our IT and e-business know-how and provide comprehensive solutions to customers, from planning and proposals to production of printed media. In this way, we will accurately support the sales promotion activities of our customers. Also, by adding capabilities to the GAMEDIOS product information database and meeting the needs of a wide range of industries, we will strive to expand our business in the production of media for sales promotion activities.
- In publications printing, we will take steps to meet customer needs more quickly and with better quality and to increase our share of existing markets. For example, we will provide products such as a color correction system for digital camera images and an editing tool designed for use with comics. Also, in line with the trend toward integration of paper and digital media, we will work to accurately understand the market and steadily meet demand in such areas as electronic book publishing.
- In business forms, in data print services (DPS), we will endeavor to improve our performance by continuing to implement marketing activities that center on the proposal of solutions that draw on our development and planning capabilities.

### ■ Living Environment

Although domestic consumer spending is flat and market conditions remain sluggish, new markets are expected to expand due to such factors as the development of a senior citizens market, increased health consciousness, and growing demands for safety and quality. In response, we will enhance our environmentally friendly and highly functional products, use a variety of approaches to expand their sales, and build a strong presence in growth markets. Moreover, with new housing starts expected to remain flat, we will implement new sales expansion initiatives, such as developing products for new markets, including renovation and commercial facilities.

- In packaging, there is growing demand for simpler packaging and more advanced packaging materials. We will use our functional film, which is environmentally friendly and offers superior moisture and other barrier functionality, to cultivate further demand in growth markets, such as medicine and pharmaceuticals. Also, as one facet of the restructuring of our paper container operations, we concluded a contract to acquire the three printing-related subsidiaries of Japan Tobacco Inc. We will strive to improve the overall profit structure of these operations and boost our competitiveness. Further, as the first step toward a comprehensive base for the promotion of our China strategy, we decided to commence packaging operations in Shanghai. In conjunction with Group member Toyo Ink Mfg. Co., Ltd., we have begun construction of a plant that will be used as a strategic base for the Toppan Group in the rapidly growing market in China.
- In industrial materials, we will develop environmentally friendly film with added functionality and highly decorative paper and will continue to aggressively implement marketing activities in domestic and overseas markets. In addition, we will add 101 Coordination Floor materials, which use decorative sheets, and NaturArt decorative interior finishing materials, which combine natural wood with advanced printing technologies, to our original brand 101 Series products. At the same time, we will further expand our product lineup and develop new markets.

### ■ Electronics

(Semiconductor related)

In the year ended March 2004, conditions in the semiconductor market were strong overall, supported by solid demand for a range of digital and electronic equipment. Semiconductor manufacturers in Japan and overseas announced large-scale investment plans, and the favorable conditions are expected to continue for some time. We will conduct carefully timed R&D and capital investment in line with market demand and technical trends. We will also emphasize the development of leading-edge technologies and the establishment of mass production techniques.

- In photomasks, we have installed equipment compatible with 90-nm design rules at our key bases -the Asaka plant, the Shiga plant, and Toppan CFI (Taiwan) Co., Ltd. -thereby bolstering our ability to supply leading-edge products. In the development of products compatible with 65-nm and smaller design rules, we will pursue alliances with customers and other leading companies. At the same time, we will continue working to secure orders for products compatible with 130-nm to 180-nm design rules, which currently account for a large volume of orders.
- In printed wiring boards, the performance of NEC Toppan Circuit Solutions, Inc., improved significantly, and sales of printed wiring boards were favorable. We will emphasize the development of next-generation products for which strong demand is anticipated, such as boards with built-in devices, which are expected to enjoy strong demand from the cellular phone industry. At the same time, we will aim to build a global operations system that will succeed in international competition by effectively drawing on our tie-up partners in China and our plant in the Philippines.

(Display related)

In the year ended March 2004, conditions in display markets were favorable, with higher demand for both the large displays used in TVs, notebook PCs, and desktop PCs and for the small and medium-sized displays used in cellular phones and digital cameras. Accompanying market expansion, there have been further increases in demand for products with higher display quality and reliability, such as higher precision, wider viewing angles, and higher contrast. Moreover, growth has not been limited to LCDs. In the large display field, markets for such products as rear projection TVs have recorded substantial growth, and in small and medium-sized displays, electronic paper and other new technologies are starting to come onto the market. Against a background of strong demand, the level of technology that customers will require is expected to increase further in the future.

- In LCD color filters, Toppan CFI (Taiwan) successfully introduced a fifth-generation large-scale color filter line (1100 X 1300 mm) and in Japan, in Mie Prefecture, we brought on stream a sixth-generation color filter line (1500 X 1800 mm). To meet strong market demand, we will further increase production capacity and will work to enhance profitability by optimizing production processes.
- In anti-reflection display film, we added to our Satte plant with the establishment of two production lines at the Shiga plant in the year under review. Through the introduction of these new lines, we will triple our production capacity, which we will use to meet demand in this rapidly growing market. In the future, we will launch products for PDPs and rear projection TVs.
- In screens for rear projection TVs, in October 2003 we commenced operations at the Poway plant in the United States, and we subsequently increased production capacity. Currently, we can supply 2.4 million sets a year from our overseas and domestic plants. To meet growing demand, we have begun construction of a second plant in Poway. We will build a supply system that will meet market needs in fiscal 2005 and thereafter.
- In electronic paper, we have succeeded in commercializing microcapsule active matrix frontplane panels, which we developed in conjunction with E Ink Corporation. These were a part of an e-book terminal that was sold in April 2004 as the first commercial product incorporating this technology. In the future, we will work to expand production capacity and increase efficiency in the production process. At the same time, we will take steps to enhance our technologies, such as adding color.

#### ■ Personal Services

In response to the rapid expansion of the number of households with broadband Internet access and the growing use of cellular telephones, we will work aggressively to expand our content distribution operations.

- Our Bitway content distribution operations provide content that is compatible with a variety of devices, such as PCs, PDAs, and cellular phones. In the future, we will strive to achieve further growth in our operations by enhancing our content lineup and expanding our distribution network as well as by aggressively providing new services compatible with next-generation cellular phones and new functions, such as electronic money settlement.
- For our Mapion Internet map search service, we will continue working to acquire new subscribers through the expansion of iMapion, a public site utilizing NTT Docomo's i-mode.
- In our character rights business, we will work to promote growth in the character industry by effectively distributing characters and creating new characters.

#### ■ Next-Generation Products

With the goal of commercializing a DNA chip, and with support from the New Energy and Industrial Technology Development Organization (NEDO), we began joint development activities in cooperation with a venture-backed company in the United States. Currently, we are focusing on achieving high reliability in chips and analysis systems. In conjunction with leading companies and institutions, we will work to develop a range of biochips that meet market needs.

In printed electronics, where electronic circuits are produced through the use of printing technology, we will continue development activities targeting commercialization.

With the objective of establishing production technologies for transistors and other electronic devices that draw on the cost effectiveness and high productivity of printing, we will conduct development targeting applications in growth fields, such as next-generation displays and RFID devices.

We have begun development work on hydrogen sensors, which are essential in fuel cell powered automobiles, the use of which is expected to grow. Fuel cells, which do not need to be charged, are very convenient, but their use of hydrogen as a fuel presents a danger of explosion. To avoid that danger, a sensor that signals hydrogen leakage is essential, and we will work to meet that need by commercializing hydrogen sensors.

In addition, we have succeeded in developing a 25-gigabyte paper disc. This disc uses a paper material that draws on the special characteristics of Blu-Ray Disc. It can be produced at a lower cost than conventional discs, and because it can be easily cut with scissors it offers superior information security at the time of disposal. We will work to commercialize these discs in the future.

## 5 Total Assets and Shareholders' Equity

|                           | March 2004<br>millions of yen | March 2005 (Estimated)<br>millions of yen |
|---------------------------|-------------------------------|---|
| Information & Networks    | 681,247                       | 677,500                                   |
| Living Environment        | 270,807                       | 286,100                                   |
| Electronics               | 276,682                       | 333,400                                   |
| Elimination               | 332,668                       | 300,000                                   |
| Total assets              | 1,461,305                     | 1,497,000                                 |
| Shareholders' equity      | 740,481                       | 765,419                                   |
| Cash and cash equivalents | 204,742                       | 150,728                                   |
| Debt with interest        | 239,209                       | 215,546                                   |

## 6 Capital Expenditures and Depreciation

|                        | March 2004<br>millions of yen | March 2005 (Estimated)<br>millions of yen |
|------------------------|-------------------------------|---|
| Information & Networks | 19,802                        | 17,500                                    |
| Living Environment     | 13,573                        | 18,200                                    |
| Electronics            | 48,335                        | 57,400                                    |
| Elimination            | 3,397                         | 6,900                                     |
| Capital expenditures   | 85,108                        | 100,000                                   |
| Information & Networks | 22,915                        | 22,300                                    |
| Living Environment     | 12,996                        | 13,000                                    |
| Electronics            | 26,663                        | 33,100                                    |
| Elimination            | 3,130                         | 3,600                                     |
| Depreciation           | 65,706                        | 72,000                                    |

## 7 Cash Flows

|  | March 2004<br>millions of yen | March 2005 (Estimated)<br>millions of yen |
|--|-------------------------------|---|
| Cash flows from operating activities     | 92,331                        | 105,000                                   |
| Cash flows from investing activities     | ▲78,710                       | ▲121,000                                  |
| Cash flows from financing activities     | 82,718                        | ▲38,000                                   |
| Cash and cash equivalents at end of year | 202,149                       | 148,149                                   |

## 8 Research and Development Expenses

|                                   |        |        |
|-----------------------------------|--------|--------|
| Research and development Expenses | 21,302 | 23,000 |
|-----------------------------------|--------|--------|

## 9 Number of Employees

|                     |        |        |
|---------------------|--------|--------|
| Number of employees | 32,178 | 32,800 |
|---------------------|--------|--------|

## 10 Management Index

|  | March 2004 | March 2005 (Estimated) |
|--|------------|------------------------|
| Number of issued stocks<br>(Thousands) | 669,990    | 669,990                |
| Net income per share<br>(¥)            | 45.57      | 55.97                  |
| Shareholders' equity per share<br>(¥)  | 1,104.62   | 1,142.43               |
| Ordinary income to total assets<br>(%) | 4.5        | 5.3                    |
| Return on assets<br>(%)                | 2.2        | 2.5                    |
| Return on shareholders' equity<br>(%)  | 4.3        | 5.0                    |
| Shareholders' equity ratio<br>(%)      | 50.7       | 51.1                   |
| Current ratio<br>(%)                   | 160.4      | 159.4                  |

# III Non-consolidated Highlights

## 1 Statement of Income Data

|                  | March 2004        |  | March 2005 (Estimated) |  |
|------------------|-------------------|--|------------------------|--|
|                  | % millions of yen | change to previous year<br>% millions of yen | % millions of yen      | change to previous year<br>% millions of yen |
| Net sales        | 100.0<br>914,612  | 0.3<br>2,891                                 | 100.0<br>949,000       | 3.8<br>34,388                                |
| Operating income | 3.3<br>30,022     | -3.2<br>▲978                                 | 3.9<br>37,000          | 23.2<br>6,978                                |
| Ordinary income  | 3.8<br>34,881     | 1.4<br>468                                   | 4.3<br>41,000          | 17.5<br>6,119                                |
| Net income       | 2.1<br>18,962     | -11.5<br>▲2,462                              | 2.1<br>20,000          | 5.5<br>1,038                                 |

## 2 Sales by Business Fields

|                                | March 2004      |  | March 2005 (Estimated) |  |
|--------------------------------|-----------------|--|------------------------|--|
|                                | millions of yen | change to previous year<br>% millions of yen | millions of yen        | change to previous year<br>% millions of yen |
| Securities & Cards             | 45,093          | -1.8<br>▲826                                 | 47,500                 | 5.3<br>2,407                                 |
| Commercial Printing            | 300,516         | 2.2<br>6,498                                 | 301,500                | 0.3<br>984                                   |
| Publications Printing          | 162,490         | -2.3<br>▲3,818                               | 160,800                | -1.0<br>▲1,690                               |
| Information & Networks (Total) | 508,100         | 0.4<br>1,855                                 | 509,800                | 0.3<br>1,700                                 |
| Packaging                      | 201,617         | -0.3<br>▲619                                 | 203,500                | 0.9<br>1,883                                 |
| Industrial Materials           | 35,180          | -4.4<br>▲1,634                               | 35,100                 | -0.2<br>▲80                                  |
| Living Environment (Total)     | 236,798         | -0.9<br>▲2,252                               | 238,600                | 0.8<br>1,802                                 |
| Electronics                    | 169,714         | 2.0<br>3,290                                 | 200,600                | 18.2<br>30,886                               |
| Total                          | 914,612         | 0.3<br>2,891                                 | 949,000                | 3.8<br>34,388                                |

## March 2004

|                  | former half of the fiscal year |  | latter half of the fiscal year |  | total of the fiscal year |  |
|------------------|--------------------------------|--|--------------------------------|--|--------------------------|--|
|                  | % millions of yen              | change to previous year<br>% millions of yen | % millions of yen              | change to previous year<br>% millions of yen | % millions of yen        | change to previous year<br>% millions of yen |
| Net sales        | 100.0<br>440,882               | -3.7<br>▲16,834                              | 100.0<br>473,730               | 4.3<br>19,725                                | 100.0<br>914,612         | 0.3<br>2,891                                 |
| Operating income | 2.9<br>12,659                  | -25.7<br>▲4,382                              | 3.7<br>17,363                  | 24.4<br>3,404                                | 3.3<br>30,022            | -3.2<br>▲978                                 |
| Ordinary income  | 3.7<br>16,168                  | -18.6<br>▲3,706                              | 4.0<br>18,713                  | 28.7<br>4,174                                | 3.8<br>34,881            | 1.4<br>468                                   |
| Net income       | 2.1<br>9,369                   | -13.1<br>▲1,413                              | 2.0<br>9,593                   | -9.9<br>▲1,049                               | 2.1<br>18,962            | -11.5<br>▲2,462                              |

### March 2005 Estimated

|                  | former half of the fiscal year |                 |   | latter half of the fiscal year |                 |   | total of the fiscal year |                 |   |
|------------------|--------------------------------|-----------------|---|--------------------------------|-----------------|---|--------------------------|-----------------|---|
|                  | %                              | millions of yen | change to previous year<br>%    millions of yen | %                              | millions of yen | change to previous year<br>%    millions of yen | %                        | millions of yen | change to previous year<br>%    millions of yen |
| Net sales        | 100.0                          | 460,000         | 4.3    19,118                                   | 100.0                          | 489,000         | 3.2    15,270                                   | 100.0                    | 949,000         | 3.8    34,388                                   |
| Operating income | 3.4                            | 15,500          | 22.4    2,841                                   | 4.4                            | 21,500          | 23.8    4,137                                   | 3.9                      | 37,000          | 23.2    6,978                                   |
| Ordinary income  | 3.8                            | 17,500          | 8.2    1,332                                    | 4.8                            | 23,500          | 25.6    4,787                                   | 4.3                      | 41,000          | 17.5    6,119                                   |
| Net income       | 2.1                            | 9,500           | 1.4    131                                      | 2.1                            | 10,500          | 9.5    907                                      | 2.1                      | 20,000          | 5.5    1,038                                    |

### March 2004

|                                | former half of the fiscal year |       |   | latter half of the fiscal year |      |   | total of the fiscal year |      |   |
|--------------------------------|--------------------------------|-------|---|--------------------------------|------|---|--------------------------|------|---|
|                                | millions of yen                | %     | change to previous year<br>%    millions of yen | millions of yen                | %    | change to previous year<br>%    millions of yen | millions of yen          | %    | change to previous year<br>%    millions of yen |
| Securities & Cards             | 22,148                         | -3.1  | ▲703  | 22,945                         | -0.6 | ▲123  | 45,093                   | -1.8 | ▲826  |
| Commercial Printing            | 141,825                        | 0.2   | 287   | 158,691                        | 4.1  | 6,211   | 300,516                  | 2.2  | 6,498   |
| Publications Printing          | 79,453                         | -3.2  | ▲2,602  | 83,037                         | -1.4 | ▲1,216  | 162,490                  | -2.3 | ▲3,818  |
| Information & Networks (Total) | 243,427                        | -1.2  | ▲3,018  | 264,673                        | 1.9  | 4,873   | 508,100                  | 0.4  | 1,855   |
| Packaging                      | 101,958                        | -1.7  | ▲1,776  | 99,659                         | 1.2  | 1,157   | 201,617                  | -0.3 | ▲619  |
| Industrial Materials           | 17,476                         | -7.6  | ▲1,436  | 17,704                         | -1.1 | ▲198  | 35,180                   | -4.4 | ▲1,634  |
| Living Environment (Total)     | 119,435                        | -2.6  | ▲3,212  | 117,363                        | 0.8  | 960   | 236,798                  | -0.9 | ▲2,252  |
| Electronics                    | 78,019                         | -12.0 | ▲10,604   | 91,695                         | 17.9 | 13,894  | 169,714                  | 2.0  | 3,290   |
| Total                          | 440,892                        | -3.7  | ▲16,834   | 473,730                        | 4.3  | 19,725  | 914,612                  | 0.3  | 2,891   |

### March 2005 Estimated

|                                | former half of the fiscal year |      |   | latter half of the fiscal year |      |   | total of the fiscal year |      |   |
|--------------------------------|--------------------------------|------|---|--------------------------------|------|---|--------------------------|------|---|
|                                | millions of yen                | %    | change to previous year<br>%    millions of yen | millions of yen                | %    | change to previous year<br>%    millions of yen | millions of yen          | %    | change to previous year<br>%    millions of yen |
| Securities & Cards             | 22,280                         | 0.6  | 132   | 25,220                         | 9.9  | 2,275   | 47,500                   | 5.3  | 2,407   |
| Commercial Printing            | 143,390                        | 1.1  | 1,565   | 158,110                        | -0.4 | ▲881  | 301,500                  | 0.3  | 984   |
| Publications Printing          | 79,330                         | -0.2 | ▲123  | 81,470                         | -1.9 | ▲1,567  | 160,800                  | -1.0 | ▲1,690  |
| Information & Networks (Total) | 245,000                        | 0.6  | 1,573   | 264,800                        | 0.0  | 127   | 509,800                  | 0.3  | 1,700   |
| Packaging                      | 102,800                        | 0.8  | 842   | 100,700                        | 1.0  | 1,041   | 203,500                  | 0.9  | 1,883   |
| Industrial Materials           | 17,100                         | -2.2 | ▲376  | 18,000                         | 1.7  | 296   | 35,100                   | -0.2 | ▲80   |
| Living Environment (Total)     | 119,900                        | 0.4  | 465   | 118,700                        | 1.1  | 1,337   | 238,600                  | 0.8  | 1,802   |
| Electronics                    | 95,100                         | 21.9 | 17,081  | 105,500                        | 15.1 | 13,805  | 200,600                  | 18.2 | 30,886  |
| Total                          | 460,000                        | 4.3  | 19,118  | 489,000                        | 3.2  | 15,270  | 949,000                  | 3.8  | 34,388  |

### 3 Total Assets and Shareholders' Equity

|                           | March 2004<br>millions of yen | March 2005 (Estimated)<br>millions of yen |
|---------------------------|-------------------------------|---|
| Total assets              | 1,219,473                     | 1,203,492                                 |
| Shareholders' equity      | 679,114                       | 686,692                                   |
| Cash and cash equivalents | 161,753                       | 101,196                                   |
| Debt with interest        | 216,006                       | 181,150                                   |

### 4 Capital Expenditures and Depreciation

|                      | March 2004<br>millions of yen | March 2005 (Estimated)<br>millions of yen |
|----------------------|-------------------------------|---|
| Capital expenditures | 50,637                        | 50,000                                    |
| Depreciation         | 47,556                        | 48,500                                    |

### 5 Research and Development Expenses

|                                   |        |        |
|-----------------------------------|--------|--------|
| Research and development expenses | 18,796 | 20,000 |
|-----------------------------------|--------|--------|

### 6 Number of Employees

|                     |        |        |
|---------------------|--------|--------|
| Number of employees | 11,512 | 10,700 |
|---------------------|--------|--------|

### 7 Management Index

|  | March 2004 | March 2005 (Estimated) |
|--|------------|------------------------|
| Number of issued stocks<br>(Thousands) | 671,893    | 671,893                |
| Net income per share<br>(¥)            | 27.72      | 29.77                  |
| Shareholders' equity per share<br>(¥)  | 1,010.52   | 1,021.88               |
| Ordinary income to total assets<br>(%) | 3.0        | 3.4                    |
| Return on assets<br>(%)                | 1.6        | 1.7                    |
| Return on shareholders' equity<br>(%)  | 2.8        | 2.9                    |
| Shareholders' equity ratio<br>(%)      | 55.7       | 57.0                   |
| Current ratio<br>(%)                   | 155.5      | 147.8                  |

Note 1: From the year ended March 2002, the number of shares issued does not include treasury stock.

Note 2: From the year ended March 2002, treasury stock is not included in the number of shares used to calculate net income per share and shareholders' equity per share.

## 8 Dividend

|                            |      |      |
|----------------------------|------|------|
| Dividends per share<br>(¥) | 17.0 | 17.0 |
| Dividend ratio<br>(%)      | 61.3 | 67.1 |

# IV. Toppan Group Overview

Toppan Printing Co., Ltd.  
Securities and Cards  
Commercial Printing  
Publications Printing

Toppan Forms Co., Ltd.  
● Toeho Printing Co., Ltd.  
● Tokyo Magnetic Printing Co., Ltd.  
● Hino Offset Printing Co., Ltd.

Froebel-Kan Co., Ltd.  
Total Media Development Institute Co., Ltd.  
Toppan Travel Service Corp.  
Toppan Multisoft Ltd.  
● Tokyo Shosetsu Co., Ltd.  
● Toppan M&I Ltd.

Toppan Printing Co. (America), Inc.  
Toppan Printing Co. (H.K.) Ltd.  
Toppan Printing Co., (Shenzhen) Ltd.  
Toppan Printing Co., (Shanghai) Ltd.  
Toppan Printing Co. (Australia) Pty. Ltd.

Total: 88 companies

## Overview of Major Subsidiaries

### Toppan Forms Co., Ltd.

President and Representative Director, Yasuhiro Fukuda

Paid-in capital: ¥11,750 million

Millions of yen

|                 | Yearended March 2003 | Yearended March 2004 |
|-----------------|----------------------|----------------------|
| Net sales       | 191,324              | 193,984              |
| Ordinary income | 16,006               | 16,361               |
| Net income      | 7,629                | 8,762                |

### Toppan Label Co., Ltd.

President and Representative Director, Kouji Sato

Paid-in capital: ¥1,000 million

Millions of yen

|                 | Yearended March 2003 | Yearended March 2004 |
|-----------------|----------------------|----------------------|
| Net sales       | 14,326               | 16,084               |
| Ordinary income | 354                  | 757                  |
| Net income      | 319                  | 407                  |

Toppan Printing Co., Ltd.  
Packaging  
Industrial Materials

Toppan Label Co., Ltd.  
Tamapoly Co., Ltd.

Toppan Cosmo, Inc.  
Toppan Logistics Co., Ltd.  
● Toyo Ink Mfg. Co., Ltd.

PT Toppan Sampoerna Indonesia  
Siam Toppan Packaging Co., Ltd.  
Toppan Interamerica Inc.

Total: 40 companies

Toppan Printing Co., Ltd.  
Electronics

Toppan Technical Design Center Co., Ltd.  
NEC Toppan Circuit Solutions Co., Ltd.

Toppan Chunghwa Electronics Co., Ltd  
Toppan Electronics (Taiwan) Co., Ltd  
Toppan CFI (Taiwan) Co., Ltd.

Total: 15 companies

Total: 143 companies  
(as of March 31, 2004)

Note 1: No mark indicates subsidiaries: 122 companies

● Mark indicates affiliates: 21 companies  
(Major companies are listed.)

Note 2: The companies that handle the products and services in Personal Services and Next-Generation Products are included in the three segments above.

## Toppan Cosmo, Inc.

President and Representative Director, Tatsuo Takizawa

Paid-in capital: ¥1,000 million

Millions of yen

|                 | Yearended March 2003 | Yearended March 2004 |
|-----------------|----------------------|----------------------|
| Net sales       | 70,017               | 71,540               |
| Ordinary income | 644                  | 913                  |
| Net income      | 315                  | 496                  |

## Tamapoly Co., Ltd.

President and Representative Director, Yasuo Matsuki

Paid-in capital: ¥315 million

Millions of yen

|                 | Yearended March 2003 | Yearended March 2004 |
|-----------------|----------------------|----------------------|
| Net sales       | 14,446               | 15,663               |
| Ordinary income | 843                  | 1,154                |
| Net income      | 438                  | 647                  |

## Forebel-Kan Co., Ltd.

President and Representative Director, Mamoru Kitabayashi

Paid-in capital: ¥50 million

Millions of yen

|                 | Yearended March 2003 | Yearended March 2004 |
|-----------------|----------------------|----------------------|
| Net sales       | 11,632               | 11,836               |
| Ordinary income | 440                  | 708                  |
| Net income      | -213                 | 506                  |