

Financial Summary for the Fiscal Year Ended March 31, 2016

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

In the fiscal year under review, the Japanese economy followed a moderate recovery trend against a backdrop of improvement in corporate earnings and the employment situation, mainly in nonmanufacturing sectors, although consumer spending showed signs of slight stagnation. There was also continued instability, reflecting concerns about a slowdown in economy in China, other emerging countries in Asia and countries with natural resources, as well as downside risks stemming from a strong yen and weak share prices.

In the business forms industry, although there was sustained demand for outsourcing in connection with the “My Number” system, the operating environment remained difficult due primarily to rising costs related to raw materials, personnel, and logistics, as well as lower prices resulting from consistent corporate efforts to reduce costs and develop information technology and networks. At the same time information security measures took on greater importance, partly because of the successive incidents of personal information leaks at public entities and other organizations.

In this business environment, the Toppan Forms Group (the Group) aimed to achieve sustainable growth by stepping up efforts to increase the number of business process outsourcing (BPO) contracts centered on data print services (DPS), and worked to enhance its production bases, including Hino Center. The Group also focused its efforts on the expansion of new businesses, including its own original solution that combines print media and IT, as well as an e-money payment platform that clients such as a large consumer electronics store, airline company, and company in the amusement industry have decided to introduce.

Outside Japan, the Group strengthened its alliance with Data Products Toppan Forms Ltd. (DPTF) in Thailand, which was made a consolidated subsidiary, while focusing on the in-depth cultivation of markets, such as Hong Kong and Singapore.

In addition, the Group promoted further cost reduction in manufacturing, mainly through the effect of integrating aggregated manufacturing bases and improving productivity, in order to strengthen profitability. In addition, the Group also worked towards business innovation and improved earnings by aggressively investing in IT.

As a result of these initiatives, net sales rose 2.8% year on year to ¥273.2 billion, operating income up 8.5% to ¥13.6 billion, ordinary income increased 8.6% to ¥14.5 billion, and the profit attributable to owners of parent rose 19.5% to ¥9.3 billion.

Million yen (rounded off)

Consolidated operating results	Year ended March 31, 2016	Year ended March 31, 2015	Change	Rate of change
Net sales	273,217	265,886	+7,330	+2.8%
Operating income	13,674	12,606	+1,068	+8.5%
Ordinary income	14,592	13,432	+1,159	+8.6%
Profit attributable to owners of parent	9,360	7,835	+1,525	+19.5%

(2) Operating results by segment

(i) Printing business

In Business Forms, the Company offered planning/proposals for blanket contracts to undertake procurement/control operations of printed materials with a focus on forms, and proposals to improve printed materials through scientific approaches. However, sales decreased from the previous fiscal year largely as a result of a decline in demand associated with digitization, and a drop in unit prices associated with the simplification of and a decline in the volume of delivery slips.

For DPS, sales increased year on year, despite a decrease in volume associated with corporate cost-reducing efforts and weaker demand for direct mail for sales promotions. This increase was supported primarily by solid growth in contracts for the blanket outsourcing of printing jobs and BPO mainly from public offices, municipalities, and financial institutions, and well-absorbed demand for personal printed materials that use digital printing technology.

In information and communications technologies (ICT), there were some negative factors, including fewer orders for RFID tags because the projects to change the frequency band in accordance with the revision of the Radio Act had been completed. In spite of those factors, the sales increased year on year, largely as a result of making DPTF a consolidated subsidiary, meeting domestic demand for point cards and ID cards, and expanding sales of solutions using smartphones.

Despite certain negative impacts, such as the lower sales of business forms, profitability improved in operating income, supported by higher profit associated with increased sales in other areas, as well as consistent efforts to reduce manufacturing costs mainly by improving production efficiency through further mechanization and systematization.

As a result, the printing business posted higher sales and profit than in the previous fiscal year.

(ii) Merchandise business

In office supply products, sales decreased year on year primarily because of the review of low-margin business, although the Company promoted sales of developed products, such as high-performance refrigerants, that target the transport, distribution, and pharmaceutical industries, and bulk purchases using O-TASCARRY, the Company's own Web purchasing system.

In the office equipment related business, sales declined from one year earlier despite the expansion of the sales of products with high value added, such as equipment associated with the national identification number system for local governments and municipalities and a signage solution that responds to the in-bound needs of retail companies. This decline was largely due to the review of low-margin business in the Hong Kong market.

In the system operation contract business, sales rose from the previous fiscal year as a result of increasing system operation contracts from mainly financial institutions and IT companies, and by absorbing new projects.

Despite increased sales in developed products with high value added, the growth in system operation contracts, and an improvement in the prices of copy paper and other products, profitability in operating income fell. This decline was largely due to the effect of doubtful accounts receivable associated with the slowdown in the Chinese economy.

As a result, the merchandise business posted lower sales and profit than in the previous fiscal year.

Million yen (rounded off)

Segment information	Year ended March 31, 2016		Year ended March 31, 2015		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Printing business	212,859	15,626	204,286	14,104	+8,573	+1,522
Merchandise business	60,357	2,808	61,599	3,017	-1,242	-209

(3) Consolidated financial position

(Figures are rounded to the nearest unit, except for the equity ratio)

Consolidated operating results	Year ended March 31, 2016	Year ended March 31, 2015	Change
Total assets (million yen)	228,611	224,358	+4,253
Shareholders' equity (million yen) (Note 1)	163,731	161,765	+1,965
Equity ratio (%)	71.6%	72.1%	-0.5%

Note 1: For shareholders' equity, minority interests are subtracted from total net assets.

(4) Consolidated cash flows

Million yen (rounded off)

Consolidated cash flows, etc.	Year ended March 31, 2016	Year ended March 31, 2015
Net cash provided by (used in) operating activities	14,362	26,419
Net cash provided by (used in) investing activities	-5,467	-7,788
Net cash provided by (used in) financing activities	-2,831	-2,932
Ending balance of cash and cash equivalents	59,494	53,497
Depreciation and amortization	9,158	8,632

2. Outlook for the Fiscal Year Ending March 31, 2017

Looking ahead, the various policies of the government are expected to produce results. Even so, an uncertain business environment is expected to continue in the coming months due to concerns of low growth in the domestic market and the downside risks in overseas economies.

In the business forms industry, the market environment is expected to be even more difficult as rising labor expenses and raw material and logistics costs are a concern, in addition to a price decline due to progress in IT and networking and the intensification of competition.

Under these circumstances, the Group will strive to achieve stable growth by increasing the strategy execution power of four businesses, namely the printing business, the information communication technologies (ICT) business, the merchandise business and overseas business and to strengthen its business structure and business performance by working on investments and comprehensive cost reduction to solidify the management foundation while accurately grasping market needs.

In its results forecast for the fiscal year ending March 31, 2017, the Company expects net sales to be ¥275.0 billion, operating income ¥14.0 billion, ordinary income ¥14.7 billion and the profit attributable to owners of parent to ¥9.4 billion.

Million yen (rounded off)

Results forecast for the fiscal year ending March 31, 2017	Forecast	Results in the previous fiscal year (ended March 31, 2015)	Change
Net sales	275,000	273,217	+1,782
Operating income	14,000	13,674	+325
Ordinary income	14,700	14,592	+107
Profit attributable to owners of parent	9,400	9,360	+39