

Financial Summary for the First Nine Months of the Fiscal Year Ending March 31, 2016

1. Qualitative Information Concerning the Financial Results in the First Nine Months of Fiscal 2016

(1) Explanation of the operating results

In the first nine months of fiscal year 2016, corporate earnings and employment improved and consumer sentiment recovered slightly, but the Japanese economy remained unstable chiefly due to a slowdown in the Chinese economy and a fall in crude oil prices.

In the business forms industry, the operating environment remained harsh 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 development of information technology (IT) and networks.

Meanwhile, information security measures gained 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 worked to expand new businesses, including the development of its own original solution that combines print media and IT and an e-money payment platform business, where a consumer electronics store and an airline company have decided to employ platforms. 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 an improved earnings by aggressively investing in IT.

As a result of these initiatives, net sales rose 4.5% year on year to ¥203.4 billion, operating income up 17.0% to ¥10.5 billion, ordinary income increased 17.4% to ¥11.2 billion, and the profit attributable to owners of parent rose 26.8% to ¥7.1 billion.

Million yen (rounded off)

Consolidated operating results	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2014	Change	Rate of change
Net sales	203,453	194,762	+8,691	+4.5%
Operating income	10,515	8,986	+1,529	+17.0%
Ordinary income	11,243	9,573	+1,670	+17.4%
Profit attributable to owners of parent	7,132	5,623	+1,508	+26.8%

(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 updates of Web systems and fewer orders for IC 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, e-money 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, there was the negative impact of lower demand for mailing-related equipment due to progress in outsourcing and a decrease in related maintenance work. Nevertheless, sales rose year on year, supported by expanded sales of high value-added products, including equipment associated with the national identification number system for local governments and signage to meet the needs of inbound tourists.

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 higher sales but lower profit than in the previous fiscal year.

Million yen (rounded off)

Segment information	Nine Months Ended December 31, 2015		Nine Months Ended December 31, 2014		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Printing business	158,583	12,570	150,504	10,444	+8,078	+2,126
Merchandise business	44,870	1,374	44,257	1,807	+612	-432

(3) Explanation of the financial position

(Assets, liabilities, and net assets)

Compared to the end of the previous fiscal year, the financial position at the end of the first nine months of fiscal year 2016 is as follows: total assets fell ¥3.7 billion to ¥220.5 billion, total liabilities dropped ¥7.3 billion to ¥53.0 billion, and total net assets amounted to ¥167.4 billion, up ¥3.5 billion. As a result, the equity ratio reached 74.9%.

(4) Explanation concerning future information, including consolidated financial forecasts

No change has been made to the consolidated financial forecasts for the fiscal year ending March 2016 announced on April 28, 2015.