TOPPAN FORMS CO., LTD.

April 28, 2017

Financial Summary for the Fiscal Year Ended March 31, 2017

1. Overview of Operating Results

(1) Overview of operating results in the fiscal year under review

In the fiscal year under review, the earnings of financial institutions were affected by negative interest rates, and corporate earnings showed signs of stagnation in part of the economy. Overall, however, the Japanese economy followed a moderate recovery trend. Meanwhile, there was continued instability, reflecting heightened uncertainty regarding the economic situations overseas due to concerns about the issue of the UK's withdrawal from the EU and the change of administration in the United States.

In the business forms industry, the operating environment remained difficult, due primarily to lower prices of orders received resulting from consistent corporate efforts to reduce expenses and increasingly intense competition, decreasing demand for paper media owning to advanced information technology and networks, and rising personnel and other expenses.

At the same time, information security measures took on greater importance, partly because of the successive incidents of personal information leaks arising from targeted attacks.

In this business environment, 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) in Japan and further improving its production bases. Meanwhile, the Group focused on increasing sales in new businesses and services. The Group promoted the Enterprise Form Management Services (EFMS) to provide companies with total support for the use and management of forms in both paper and electronic formats. The business foundation of electronic money payment solutions was developed and the business came closer to monetization, with Rakuten Pay (payment at brick-and-mortar stores) provided by Rakuten, Inc. as well as major amusement companies and drug store chain operators adopting the Group's solutions.

In addition, the Group invested in IT to achieve medium- to long-term growth and vision and considered aggressive business investment. As part of business investment, Toppan Forms formed a capital and business alliance with Cogent Labs Inc., a Japanese start-up engaging in technology development based on leading-edge artificial intelligence research. Meanwhile, the Group promoted further cost reductions in manufacturing, mainly by increasing productivity through mechanization and in-house production in order to raise profitability.

In the overseas markets, the Group opened new manufacturing bases in Hong Kong and expanded the system for DPS and BPO contracts for the deep cultivation of markets including Singapore. Moreover, the Group opened a new base in Vietnam and worked to develop the ASEAN market in an alliance with DATA PRODUCTS TOPPAN FORMS LTD. (DPTF) of Thailand. The Group strengthened cooperation with affiliated companies in Malaysia and Sri Lanka.

As a result, net sales declined 5.7% year on year to ¥257.7 billion, operating income was down 30.7% to ¥9.4 billion, ordinary income decreased 31.0% to ¥10.0 billion, and profit attributable to owners of parent fell 37.2% to ¥5.8 billion.

Million yen (rounded off)

Consolidated operating results	Year ended March 31, 2017	Year ended March 31, 2016	Change	Rate of change
Net sales	257,734	273,217	-15,483	-5.7%
Operating income	9,474	13,674	-4,200	-30.7%
Ordinary income	10,065	14,592	-4,526	-31.0%
Profit attributable to owners of parent	5,876	9,360	-3,484	-37.2%

(2) Operating results by segment

(i) Printing business

In Business Forms, the Company offered planning/proposals for blanket contracts to undertake revisions of forms associated with a system change and proposals to improve printed materials through scientific approaches, as well as absorbing new needs in overseas markets. Factors such as a decrease in demand due to computerization and reduced prices through simplified product specifications, however, caused sales to decline from the previous fiscal year.

For DPS, the blanket outsourcing of printing jobs and BPO contracts mainly from municipalities and financial institutions increased steadily. The Group worked further on the deep cultivation of the market for various notification types by developing cost-competitive products, and increased sales of personal printed materials using digital printing technology. Lower sales volumes and lower prices due to companies' efforts to cut expenses and the reduction of large projects by some major clients, including those related to the Individual Number System, were the primary causes of a decline in sales from the previous year.

In information and communications technologies (ICT), sales increased year on year largely as a result of increased sales of cards, related devices, and RFID tags associated with the introduction of internet of things (IoT) in the manufacturing and medical industries, the promotion of solutions using smartphones in Japan, and the contribution of electric money payment solutions despite a decrease in demand for financial service cards in the overseas market.

Despite the steady reduction in manufacturing costs, profitability in operating income decreased, partly because of higher advance IT expenses allocated to bolster the development of EFMS, which are new services that the Company has sought to promote.

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

(ii) Merchandise business

In office supply products, sales decreased year on year, primarily because of the reassessment of low-margin businesses despite the promotion of developed products such as high-performance refrigerants targeting the transport and distribution industries, as well as increased sales of products related to security and disaster prevention.

In the office equipment-related business, the Company took steps to increase sales of high value-added products, such as security-related equipment that is compatible with revised laws and regulations and signage in response to demand in inbound tourism. However, sales declined year on year, largely due to a decline in demand for office equipment as a result of the progress of outsourcing, the modification of low-margin businesses in the Hong Kong market and the impact of foreign exchange.

In the system operation contract business, sales rose from the previous fiscal year as a result of expanding the scope of contracts into the high value-added technical area such as network management, increasing system operation contracts mainly from financial institutions and IT companies, and acquiring new projects.

Operating income profitability rose owing to improvement in the suppliers of office supply products and selling prices, increased sales of high value-added office equipment, and other factors.

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

Million yen (rounded off)

Segment information	Year ended March 31, 2017		Year ended March 31, 2016		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Printing business	200,817	11,467	212,859	15,626	-12,042	-4,159
Merchandise business	56,916	3,068	30,657	2,808	-3,440	+259

(3) Consolidated financial position

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

Consolidated operating results	Year ended March 31, 2017	Year ended March 31, 2016	Change
Total assets (million yen)	224,357	228,611	-4,254
Shareholders' equity (million yen) (Note 1)	169,220	165,784	+3,435
Equity ratio (%)	74.4%	71.6%	+2.8%

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, 2017	Year ended March 31, 2016
Net cash provided by (used in) operating activities	10,957	14,362
Net cash provided by (used in) investing activities	-8,615	-5,467
Net cash provided by (used in) financing activities	-2,822	-2,831
Ending balance of cash and cash equivalents	58,919	59,494
Depreciation and amortization	8,998	9,158

2. Outlook for the Fiscal Year Ending March 31, 2018

Looking ahead, the Japanese economy is expected to recover, albeit moderately, but an uncertain business environment is expected to continue in the coming months partly because of the effects of political and economic instability overseas on the domestic business.

The market environment surrounding the Company is expected to be even more difficult as rising labor expenses and raw material and logistics costs are a concern, in addition to price declines with progress in IT and networking and the intensification of competition.

In this environment, the Group aims to increase its strategy execution power and achieve stable growth by restructuring its business portfolio and concentrating its management resources on fields with significant potential for growth. The Group will strive to strengthen its business structure and business performance by working on investments and comprehensive cost reductions to solidify the management foundation.

In its results forecast for the fiscal year ending March 31, 2018, the Company expects net sales to be ¥270.0 billion, operating income ¥11.0 billion, ordinary income ¥11.5 billion and profit attributable to owners of parent to be ¥6.5 billion.

Million yen (rounded off)

Results forecast for the fiscal year ending March 31, 2018	Forecast	Results in the previous fiscal year (ended March 31, 2017)	Change
Net sales	270,000	257,734	+12,265
Operating income	11,000	9,474	+1,525
Ordinary income	11,500	10,065	+1,434
Profit attributable to owners of parent	6,500	5,876	+623