

Financial Summary for the First Three Months of the Fiscal Year Ending March 31, 2017

1. Qualitative Information Concerning the Financial Results in the First Three Months Fiscal 2017

(1) Explanation of the operating results

In the first three months of the fiscal year 2017, the Japanese economy followed a moderate recovery trend, although corporate earnings and consumer spending showed signs of slight stagnation. There was also continued instability, reflecting the impact of natural disasters as well as heightened uncertainty over foreign economic situations due to concerns about a slowdown of the economy in China and other emerging countries in Asia and the problem of the UK's withdrawal from the EU.

In the business forms industry, the operating environment remained difficult due primarily to rising costs related to personnel and the declining unit price of orders due to intensifying competition, as well as lower prices and decreasing demand for paper media 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 arising from targeted attacks.

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 develop its own original solution combining print media and IT. In the course of these efforts, the Group entered into a capital and business tie-up with Asukoe Partners Inc. and established a service for the access and delivery of administrative information for national and local governments. 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. In addition, the Group opened bases in Vietnam and made efforts to develop the ASEAN market in an alliance with Data Products Toppan Forms Ltd. (DPTF) of Thailand.

In addition, the Group worked toward business innovation by aggressively investing in IT and promoted further cost reductions in manufacturing, mainly through improving productivity due to mechanization and self-manufacture, in order to strengthen profitability.

As a result of these initiatives, net sales rose 0.2% year on year to ¥66.0 billion, operating income was up 0.9% to ¥3.1 billion, ordinary income decreased 1.5% to ¥3.3 billion, and profit attributable to owners of parent fell 18.5% to ¥1.9 billion.

Million yen (rounded off)

Consolidated operating results	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Change	Rate of change
Net sales	66,006	65,857	+148	+0.2%
Operating income	3,116	3,087	+28	+0.9%
Ordinary income	3,372	3,424	-51	-1.5%
Profit attributable to owners of parent	1,934	2,375	-440	-18.5%

(2) Operating results by segment

(i) Printing business

In Business Forms, the Company offered planning/proposals for blanket contracts to undertake

revisions of forms due to a system change and proposals to improve printed materials through scientific approaches, as well as absorbing new needs in overseas markets. Consequently, sales increased from the previous fiscal year, despite a decline in demand associated with digitization and a decline in the volume of delivery slips in the domestic market.

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

In information and communications technologies (ICT), sales increased year on year, largely as a result of expanding sales of IC cards and issuing devices as well as IC tags in the medical field and the promotion of solutions using smartphones.

Despite the higher profit associated with increased sales and the effect of reduced manufacturing costs, profitability reduced in operating income due to increased IT costs arising from the strengthening of development for the promotion of the integration of paper media and IT.

As a result, the printing business posted higher 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 review of the low-margin business, although the Company focused on making sales of developed products, such as high-performance refrigerants, that target the transport and distribution industries, as well as increasing sales of products related to security and disaster prevention.

In the office equipment related business, sales declined from one year earlier despite the increase in sales of products with high added value, such as equipment associated with the national identification number system for local governments and municipalities and a signage solution in response to the inbound needs of retail companies. This decline was largely due to the review of the low-margin business 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 increasing system operation contracts mainly from financial institutions and IT companies, and by absorbing new projects.

The profitability of operating income rose owing to increased sales of office equipment with high added value as well as a review of the suppliers of office supply products and the improvement of prices.

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

Million yen (rounded off)

Segment information	Three Months Ended June 30, 2016		Three Months Ended June 30, 2015		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Printing business	52,400	3,681	51,540	3,803	+860	-122
Merchandise business	13,605	603	14,317	337	-711	+266

(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 three months of fiscal year 2017 is as follows: total assets fell ¥6.7 billion to ¥221.8 billion, total liabilities dropped ¥6.1 billion to ¥56.6 billion, and total net assets amounted to ¥165.1 billion, down ¥0.6 billion. As a result, the equity ratio reached 73.6%.

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

No change has been made to the full-year consolidated financial forecasts or the forecasts for the first six months of fiscal 2017 announced on April 28, 2016.