TOPPAN FORMS CO., LTD.

January 31, 2017

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

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

(1) Explanation of the operating results

In the first nine months of fiscal year 2017, the Japanese economy followed a moderate recovery trend; however, corporate earnings showed signs of slight stagnation in addition to the impact of negative interest rates on the earnings of financial institutions. There was also continued instability, reflecting heightened uncertainty regarding the economic situations overseas due to concerns about a slowdown of the economy in China and other emerging countries in Asia, 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 owing 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. The Group also promoted the Enterprise Form Management Service (EFMS) to provide companies with total support for the use and management of forms in both paper and electronic formats. Meanwhile, the Group focused on increasing sales in new businesses and services and, as a result, major amusement companies and drug store chain operators have adopted the Group's electronic money payment solutions.

In addition, the Group aggressively invested in IT to achieve medium- to long-term growth and vision and 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 also 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.

As a result, net sales declined 6.2% year on year to ¥190.8 billion, operating income was down 32.8% to ¥7.0 billion, ordinary income decreased 33.7% to ¥7.4 billion, and profit attributable to owners of parent fell 40.5% to ¥4.2 billion.

Million yen (rounded off)

Consolidated operating results	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2015	Change	Rate of change
Net sales	190,826	203,453	-12,627	-6.2%
Operating income	7,065	10,515	-3,450	-32.8%
Ordinary income	7,459	11,243	-3,783	-33.7%
Net income attributable to owners of parent	4,247	7,132	-2,885	-40.5%

(2) Operating results by segment

(i) Printing business

In Business Forms, the Company offered planning/proposals for blanket contracts to undertake revisions of forms 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 IC tags associated with the introduction of internet of things (IoT) in the manufacturing and medical industries and the promotion of solutions using smartphones in Japan 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 due to increased advance IT expenses for strengthening 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	Nine Months Ended December 31, 2016		Nine Months Ended December 31, 2015		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Printing business	149,712	8,842	158,583	12,570	-8,870	-3,728
Merchandise business	41,113	1,966	44,870	1,374	-3,756	+591

(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 third quarter of fiscal year 2017 is as follows: total assets fell ¥13.0 billion to ¥215.5 billion, total liabilities dropped ¥14.0 billion to ¥48.7 billion, and total net assets amounted to ¥166.8 billion, up ¥1.0 billion. As a result, the equity ratio reached 76.5%.

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

The Company has revised the consolidated financial forecast for the fiscal year ending March 2017 that was announced on April 28, 2016. For details, please refer to the “Notice of Revision of the Consolidated Financial Forecast for the Fiscal Year Ending March 2017” that was announced separately today.