

## Financial Summary for the First Three Months of the Fiscal Year Ending March 31, 2018

### 1. Qualitative Information Concerning the Financial Results in the First Three Months Fiscal 2018

#### (1) Explanation of the operating results

In the first three months of the fiscal year 2018, the Japanese economy followed a moderate recovery trend against a background of improved corporate earnings and consumer spending. On the other hand, the overseas economy remained unstable, primarily because of the impact of the protectionist economic policy of the US and a higher geopolitical risk globally.

In the environment surrounding the TOPPAN FORMS GROUP (the Group), the Group has remained in a difficult situation because of companies' comprehensive efforts regarding cost reductions and lower prices due to intensified competition, decreasing demand for paper media with the advance of the IT revolution/networking and higher personnel costs.

Amidst the increased threat of cyber attacks such as targeted attacks, information security measures took on greater importance.

In this business environment, to achieve sustainable growth, the Group is focusing on the efforts of "DigitalHybrid," which provides new value by combining a conventional solution with the latest digital technology.

To accelerate these efforts, the Group revamped its portfolio and restructured into four business sectors: "DigitalHybrid," "IT Innovation," "Business Product," and "Global Business," clarifying the strategy and optimizing the allocation of management resources.

The Group also made an investment in the IT sector to achieve its medium-/long-term growth vision and considered a proactive investment in the business.

As a result, net sales declined 9.2% year on year to ¥59.9 billion, operating income was down 43.4% to ¥1.7 billion, ordinary income decreased 43.3% to ¥1.9 billion, and profit attributable to owners of parent fell 53.2% to ¥0.9 billion.

Million yen (rounded off)

Consolidated operating results	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Change	Rate of change
Net sales	59,931	66,006	-6,074	-9.2%
Operating income	1,762	3,116	-1,353	-43.4%
Ordinary income	1,912	3,372	-1,459	-43.3%
Profit attributable to owners of parent	905	1,934	-1,029	-53.2%

## (2) Operating results by segment

There has been a change in segmentation in the first three months of the fiscal year 2018.

### (i) DigitalHybrid Business

In DigitalHybrid, the Company actively promoted the Enterprise Form Management Service (EFMS), which is a total, paper-based and electronic support of companies' operation management of forms, increasing sales and share for our existing clients and finding new customers.

In this business, contracts for data print services (DPS) such as transactional communication and the direct mail service increased steadily, mainly from financial institutions, while sales in this business declined slightly from the previous year, due partly to the reduced sales volume for some clients and reduced prices.

In digital solutions, we advanced the expansion of sales of e-mail communication services of a variety of ledger sheets such as billing statements and attendance management systems, but due to the reactionary decline of the regulations publication/management system for financial institutions, sales were down from the previous year.

In business process outsourcing (BPO), the Company absorbed new demand resulting from legislative amendments, mainly from financial institutions, but sales declined significantly from the previous year given the reduction in temporary benefit-related orders and large projects from some clients.

In business forms (BF), the Company increasingly absorbed demand for revisions due to business mergers and changes of services, but sales declined from the previous year primarily because of declining unit prices due to simplified product specifications and decreasing demand resulting from digitization.

Production costs were reduced as planned, but operating income profitability declined due to reduced sales from BPO and declining unit prices in BF.

As a result, sales and profit in Digital Hybrid declined from the previous year.

### (ii) IT Innovation Business

In IT Innovation, the Company increased sales from system operation management services by providing payment services on a full scale centered on the e-money payment platform "Thinccloud" and also expanded the range of orders accepted by the Company and new orders, but because sales from ID cards, point cards, and IC labels for medical use declined, the Company posted a slight decline in sales from the previous year.

Although the payment service and system operation management service contributed to profit, operating income profitability remained the same as the previous year.

As a result, sales and profit in IT Innovation declined from the previous year.

### (iii) Business Product Business

In Business Products, despite the impact of reduced sales from high-functionality labels for product management, sales increased significantly from the previous year due to increased demand for custom-order equipment from the logistics industry and the promotion of sales of high-functionality refrigerant mainly for the transportation industry.

Operating income profitability was improved due to increased sales of products with high added value and products developed by the Company.

As a result, sales and profit in Business Products increased from the previous year.

(iv) Global Business

In Global Business, sales from DPS and BPO increased steadily due to the enhancement of the structure for contracted business, including the establishment of a new production site and the introduction of new equipment, and proactive sales activities such as the expansion of sales areas, but overall sales declined significantly from the previous year, primarily because demand decreased for computer-related products and cards for financial institutions due to the slowdown of the Hong Kong economy.

Operating income profitability declined, primarily because of the increased fixed cost ratio due to decreased sales.

As a result, sales and profit in Global Business declined from the previous year.

Million yen (rounded off)

Segment information	Three Months Ended June 30, 2017		Three Months Ended June 30, 2016		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
DigitalHybrid Business	42,232	2,610	47,595	3,832	-5,363	-1,221
IT Innovation Business	6,382	583	6,510	588	-128	-5
Business Product Business	7,661	131	6,963	-85	698	217
Global Business	3,655	20	4,936	85	-1,281	-65

(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 2018 is as follows: total assets fell ¥4.2 billion to ¥220.0 billion, total liabilities dropped ¥3.7 billion to ¥51.3 billion, and total net assets amounted to ¥168.6 billion, down ¥0.5 billion. As a result, the equity ratio reached 75.7%.

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

No change has been made to the full-year consolidated financial forecasts of fiscal 2018 announced on April 28, 2017.