

Financial Summary for the First Half of the Fiscal Year Ending March 31, 2018

1. Qualitative Information Concerning the Financial Results in the First Half of Fiscal 2018

(1) Explanation of the operating results

In the first half of the fiscal year 2018, the Japanese economy followed a moderate recovery trend against a background of improved corporate earnings and consumer spending. Meanwhile, the overseas economy remained uncertain, primarily because of increasing tension with North Korea, developments in US policies, and political risks in Europe.

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 conventional solutions with the latest digital technologies.

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 investments in the IT sector to achieve its medium-/long-term growth vision and considered a proactive investment in the business.

As a result, while the Group worked to develop market in industries such as manufacturing, distribution, and central and local governments and attracted demand for business process outsourcing (BPO) particularly of financial institutions, factors such as a decline in computer-related products in the Hong Kong market, lower sales of business forms (BF) in Japan, and a reduction in the number of large projects at some of the Group's major clients significantly affected the Group's financial performance, and net sales declined 8.7% year on year to ¥117.7 billion, operating income was down 46.6% to ¥2.7 billion, ordinary income decreased 44.5% to ¥3.0 billion, and profit attributable to owners of parent fell 56.2% to ¥1.5 billion.

Million yen (rounded off)

Consolidated operating results	Six Months Ended September 30, 2017	Six Months Ended September 30, 2016	Change	Rate of change
Net sales	117,750	129,021	-11,270	-8.7%
Operating income	2,732	5,119	-2,387	-46.6%
Ordinary income	3,060	5,515	-2,454	-44.5%
Profit attributable to owners of parent	1,504	3,436	-1,931	-56.2%

(2) Operating results by segment

(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 mainly from financial institutions increased steadily while segment sales declined from the previous year due in part to reduced sales volume for some clients and price falls.

In digital solutions, sales remained at the same level as the previous year due primarily to increased sales of electronic delivery services for billing statements and other communications and attendance management systems, offsetting the impact of a reactionary fall from sales of document management systems for financial institutions.

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

In 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.

While production cost reduction had some benefit, operating income declined significantly due chiefly to reduced sales from BPO and BF.

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

(ii) IT Innovation Business

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

Although the system operation management service contributed to profit, operating income profitability decreased as a result largely of reduced sales of cards and IC labels.

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 selling high-functionality refrigerant mainly for the transportation industry.

Operating income profitability rose considerably due to increased sales of equipment and products with high added value.

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 in the Hong Kong market.

Operating income profitability declined substantially following in part a decrease in sales of

computer-related products despite the Company's efforts for cost reduction.
As a result, sales and profit in Global Business declined from the previous year.

Million yen (rounded off)

Segment information	Six Months Ended September 30, 2017		Six Months Ended September 30, 2016		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
DigitalHybrid Business	81,274	3,997	92,527	6,599	-11,253	-2,601
IT Innovation Business	12,865	1,122	13,220	1,205	-355	-82
Business Product Business	15,946	479	14,475	-86	1,471	+566
Global Business	7,663	17	8,797	127	-1,133	-109

(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 second quarter of fiscal year 2018 is as follows: total assets fell ¥4.5 billion to ¥219.8 billion, total liabilities dropped ¥4.8 billion to ¥50.2 billion, and total net assets amounted to ¥169.5 billion, up ¥0.3 billion. As a result, the equity ratio reached 76.1%.

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

The Company has revised the full-year consolidated financial forecasts for the fiscal year ending March 2018 announced on April 28, 2017. For more details, please refer to the announcement "Notice of Revision to Full-Year Consolidated Financial Results Forecasts for Fiscal Year Ending March 31, 2018" published on October 27, 2017.