

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

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

(1) Explanation of the operating results

In the first nine months 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 the situations of East Asia and developments in US policies.

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 7.6% year on year to ¥176.2 billion, operating income was down 32.5% to ¥4.7 billion, ordinary income decreased 31.5% to ¥5.1 billion, and profit attributable to owners of parent fell 35.2% to ¥2.7 billion.

Million yen (rounded off)

Consolidated operating results	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016	Change	Rate of change
Net sales	176,278	190,826	-14,548	-7.6%
Operating income	4,765	7,065	-2,300	-32.5%
Ordinary income	5,107	7,459	-2,352	-31.5%
Profit attributable to owners of parent	2,751	4,247	-1,496	-35.2%

(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 and electronic-based 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 decreased slightly from the level of the previous year due primarily to the impact of a reactionary fall from sales of document management systems for financial institutions, despite increased sales of electronic delivery services for billing statements and other communications and attendance management systems.

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.

As a result, overall sales in DigitalHybrid declined.

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

(ii) IT Innovation Business

In IT Innovation, the Company substantially increased sales from system operation management services due chiefly to the expansion in the range of orders accepted by the Company and new orders. It also provided payment services on a full scale, centered on the e-money payment platform Thincacloud,"which has been introduced in the amusement and logistics/retail industries, but because sales of ID cards, point cards, and IC labels for medical use declined, the Company posted the same level of sales as the previous year.

Although the system operation management service contributed to profit, operating income remained on a par with the level of the previous year as a result largely of reduced sales of cards and IC labels.

(iii) Business Product Business

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

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

(iv) Global Business

In Global Business, sales from DPS and BPO increased steadily with the strengthening of the structure for contracted business, including the establishment of a new production site and the introduction of new equipment, and an increase in orders received for ID cards in Thailand, but overall sales remained on a par with the previous year, primarily because demand decreased for computer-related products and cards for financial institutions in the Hong Kong market.

Operating income increased substantially following in part an increase in sales of ID cards with high added value, despite a decrease in sales of computer-related products.

Million yen (rounded off)

Segment information	Nine Months Ended December 31, 2017		Nine Months Ended December 31, 2016		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
DigitalHybrid Business	121,193	6,274	136,527	9,371	-15,334	-3,097
IT Innovation Business	19,242	1,740	19,403	1,742	-161	-2
Business Product Business	23,535	516	22,529	-51	1,006	567
Global Business	12,308	575	12,365	173	-57	402

(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 2018 is as follows: total assets fell ¥5.2 billion to ¥219.1 billion, total liabilities decreased ¥6.2 billion to ¥48.8 billion, and total net assets amounted to ¥170.2 billion, up ¥1.0 billion. As a result, the equity ratio reached 76.5%.

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

No revisions have been made to the financial forecasts announced on October 27, 2017.