

## Financial Summary for the First Three Months of the Fiscal Year Ending March 31, 2019

### 1. Qualitative Information Concerning the Financial Results in the First Three Months Fiscal 2019

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

In the first three months of fiscal year 2019, the Japanese economy followed a moderate recovery trend against a background of improved corporate earnings and a noticeable recovery in the labor market. Meanwhile, Japan's economic outlook remained uncertain, primarily because of unstable factors related to the overseas political and economic situations.

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 stable growth, the Group remains focused on the efforts of "DigitalHybrid," which provides new value by combining a conventional solution with the latest digital technology, aiming to grow as a unique enterprise with highly distinct technological advantages.

To accelerate these efforts, the Group redefined "DigitalHybrid" as a new business domain for the entire group, effective in the first quarter of fiscal year 2019. The Group has also reorganized the existing "DigitalHybrid" business into the "Data & Documents" business, clarifying the business definitions and optimizing the allocation of management resources.

The Group also enhanced initiatives to explore new frontiers beyond the existing business framework and took an active approach toward business investment with the aim of achieving medium-to long-term growth vision.

Net sales declined 7.4% year on year to ¥55.4 billion, operating income was down 18.4% to ¥1.4 billion, ordinary income decreased 14.7% of ¥1.6 billion and profit attributable to owners of parent fell 7.2% to ¥0.8 billion, largely attributable to lower sales of business forms (BFs), downsizing for large scale projects among some customers and a reactionary plunge in demand for custom-order equipment in the logistics industry, partially offset by successful efforts to attract demand for transactional communication primarily from financial institutions while capturing business needs in growing areas such as Digital Solutions and IT Innovation.

Million yen (rounded off)

| Consolidated operating results          | Three Months Ended<br>June 30, 2018 | Three Months Ended<br>June 30, 2017 | Change  | Rate of change |
|---|-------------------------------------|-------------------------------------|---------|----------------|
| Net sales                               | 55,491                              | 59,931                              | (4,439) | (7.4%)         |
| Operating income                        | 1,438                               | 1,762                               | (324)   | (18.4%)        |
| Ordinary income                         | 1,631                               | 1,912                               | (280)   | (14.7%)        |
| Profit attributable to owners of parent | 840                                 | 905                                 | (65)    | (7.2%)         |

## (2) Operating results by segment

### (i) Data & Documents Business

Sales for data print services (DPS) remained more or less in line with the previous year because of the reduced sales volume for some clients and reduced prices, partially offset by firm demand for transactional communication primarily from financial institutions.

In digital solutions, we saw a significant increase in sales from the previous year due to strong demand for e-mail communication services of a variety of business documents such as invoices, as well as the regulations publication/management system for financial institutions.

In business process outsourcing (BPO), sales declined significantly from the previous year because of reduced business for temporary benefit-related deals and large-scale projects, partially offset by further demand resulting from legislative revisions.

In business forms (BF), sales fell from the previous year primarily because of declining unit prices associated with simplified product specifications and the progress of digitization, creating less demand for paper-based forms.

Consequently, in the overall Data & Documents Business, sales declined from the previous year.

Operating income profitability decreased significantly due to reduced sales from BPO and BF, partially offset by an increase in highly lucrative deals in DPS, a contribution in sales from digital solutions services and reduced production costs including those related to IT.

### (ii) IT Innovation Business

In IT Innovation, the Company significantly increased sales by expanding the range of services delivered and successful efforts to attract new project deals, resulting in increased revenue from the system operation management service. Expansion in the payment service centered on the e-money payment platform “Thinccloud” also contributed, along with the sales expansion of card-related equipment and IC labels.

Operating income profitability improved significantly due to an increase in revenue from the system operation management service and card-related equipment.

### (iii) Business Products Business

In Business Products, sales plunged significantly from the previous year because of reduced sales from high-functionality labels for product management and a reactionary drop in demand for custom-order equipment from the logistics industry.

Profitability fell significantly mainly due to the reactionary plunge in demand for custom-order equipment.

(iv) Global Business

In Global Business, revenue increased due to strong demand for DPS and BPO from the enhancement of the structure for contracted business, including the establishment of a new production site and introduction of new facilities, partially offset by lower revenue for the BF business in Hong Kong. The growth in orders received for high value-added cards in Hong Kong and Thailand also contributed.

Operating income profitability improved significantly, primarily because of increased revenue from high value-added cards.

Million yen (rounded off)

| Segment information        | Three Months Ended<br>June 30, 2018 |                     | Three Months Ended<br>June 30, 2017 |                     | Change    |                     |
|----------------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|-----------|---------------------|
|                            | Net sales                           | Operating<br>income | Net sales                           | Operating<br>income | Net sales | Operating<br>income |
| Data & Documents Business  | 38,099                              | 2,209               | 42,232                              | 2,610               | (4,133)   | (401)               |
| IT Innovation Business     | 7,046                               | 724                 | 6,382                               | 583                 | 663       | 141                 |
| Business Products Business | 6,569                               | (152)               | 7,661                               | 131                 | (1,092)   | (283)               |
| Global Business            | 3,777                               | 78                  | 3,655                               | 20                  | 122       | 57                  |