

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

### 1. Qualitative Information Concerning the Financial Results in the First Half of Fiscal 2019

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

In the first half of the fiscal year under review, the Japanese economy maintained a moderate recovery, with steady improvements in employment conditions thanks to an increase in corporate earnings. Nonetheless, the economic outlook remains unclear given a string of natural disasters as well as political and economic uncertainty overseas.

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 & Document" business, clarifying the business definitions and optimizing the allocation of management resources.

To achieve its medium- to long-term growth vision, the Group has been stepping up efforts in frontier areas beyond the framework of existing businesses. In the first half of the fiscal year under review, the Group made Mtes Neural Networks Co., Ltd., an IoT technology developer, an equity method affiliate through an additional investment.

As a result, the Group attracted demand, particularly from financial institutions for its data print service (DPS) and increased its activities in growth areas such as IT innovation business. Factors such as lower sales of business forms (BF) in Japan, a reduction in the scale of large projects at some of the Group's major clients, and a reactionary fall from made-to-order equipment in the distribution industry, however, significantly affected the Group's financial performance, and net sales declined 5.9% year on year to ¥110.7 billion. Meanwhile, operating income was down 8.5% to ¥2.5 billion, ordinary income decreased 8.2% to ¥2.8 billion, and profit attributable to owners of parent fell 8.5% to ¥1.6 billion.

Million yen (rounded off)

Consolidated operating results	Six Months Ended September 30, 2018	Six Months Ended September 30, 2017	Change	Rate of change
Net sales	110,780	117,750	(6,970)	(5.9%)
Operating income	2,501	2,732	(231)	(8.5%)
Ordinary income	2,808	3,060	(251)	(8.2%)
Profit attributable to owners of parent	1,633	1,504	128	8.5%

## (2) Operating results by segment

### (i) Data & Document Business

While data print services (DPS) in the Data & Document Business were affected by a reduced sales volume for some clients and price falls, contracts for transactional communication and direct mail mainly from financial institutions increased steadily and contributed to revenue growth.

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 and large-scale projects, partially offset by further demand resulting from legislative revisions.

In business forms (BF), sales fell slightly 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 & Document Business, sales declined from the previous year.

Operating income profitability decreased 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 RFID tags.

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 from the sale of PCs, servers, and related products 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	Six Months Ended September 30, 2018		Six Months Ended September 30, 2017		Change	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Data & Document Business	75,204	3,839	81,274	3,997	(6,070)	(157)
IT Innovation Business	14,121	1,443	12,865	1,122	1,256	320
Business Products Business	13,700	(122)	15,946	479	(2,246)	(601)
Global Business	7,753	112	7,663	17	89	94

(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 2019 is as follows: total assets fell ¥2.6 billion to ¥219.7 billion, total liabilities dropped ¥3.3 billion to ¥47.1 billion, and total net assets amounted to ¥172.5 billion, up ¥0.6 billion. As a result, the equity ratio reached 77.3%.

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

There is no change to the consolidated financial forecasts for the fiscal year ending March 2019 announced on April 27, 2018.