

***KYODO PRINTING CO., LTD.***  
***and Consolidated Subsidiaries***

*Interim Consolidated Financial Statements (Unaudited)*  
*for the Nine-Month Period Ended December 31, 2014*

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Balance Sheets

December 31, 2014 as compared with March 31, 2014 (Unaudited)

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2014	March 31, 2014	December 31, 2014
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 4)	¥ 14,596	¥ 13,271	\$ 121,098
Receivables:			
Trade notes (Note 5)	5,350	4,878	44,387
Trade accounts	21,042	21,632	174,578
Other	170	179	1,410
Allowance for doubtful accounts	(63)	(63)	(522)
Short-term investments	281	288	2,331
Inventories	5,732	4,955	47,556
Deferred tax assets	664	660	5,509
Prepaid expenses and other current assets	501	223	4,156
Total current assets	<u>48,276</u>	<u>46,026</u>	<u>400,530</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	15,476	15,476	128,399
Buildings and structures	42,680	42,506	354,102
Machinery and vehicles	52,871	53,536	438,654
Furniture and fixtures	5,904	5,705	48,983
Lease assets	1,567	1,438	13,000
Construction in progress	475	153	3,940
Total	<u>118,975</u>	<u>118,817</u>	<u>987,098</u>
Accumulated depreciation	<u>(82,443)</u>	<u>(81,438)</u>	<u>(684,003)</u>
Net property, plant and equipment	<u>36,532</u>	<u>37,378</u>	<u>303,094</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities	14,715	9,811	122,085
Investments in associated companies	266	258	2,206
Intangible assets	1,382	1,237	11,466
Deferred tax assets	271	412	2,248
Other long-term assets	1,126	1,126	9,342
Allowance for doubtful accounts	<u>(208)</u>	<u>(245)</u>	<u>(1,725)</u>
Total investments and other assets	<u>17,554</u>	<u>12,600</u>	<u>145,640</u>
<b>TOTAL</b>	<u>¥ 102,364</u>	<u>¥ 96,004</u>	<u>\$ 849,282</u>

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Balance Sheets

December 31, 2014 as compared with March 31, 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2014	March 31, 2014	December 31, 2014
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt	¥ 2,233	¥ 4,525	\$ 18,526
Payables:			
Trade notes (Note 5)	8,661	8,330	71,857
Trade accounts	10,152	10,326	84,227
Other	298	248	2,472
Income taxes payable	335	366	2,779
Accrued bonuses	403	1,127	3,343
Other current liabilities (Note 5)	5,021	4,893	41,657
Total current liabilities	27,106	29,817	224,890
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt	7,223	8,602	59,926
Bonds with subscription rights to shares	5,000	-	41,483
Liability for retirement benefits	5,892	6,104	48,884
Deferred tax liabilities	1,917	184	15,904
Other long-term liabilities	202	221	1,675
Total long-term liabilities	20,236	15,112	167,891
<b>EQUITY:</b>			
Common stock—authorized, 360,800,000 shares; issued, 90,200,000 shares as of December 31, 2014 and March 31, 2014	4,510	4,510	37,418
Capital surplus	1,742	1,742	14,452
Retained earnings	43,743	43,078	362,922
Treasury stock—at cost, 2,414,256 shares as of December 31, 2014 and 2,410,552 shares as of March 31, 2014	(547)	(545)	(4,538)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	5,749	2,665	47,697
Foreign currency translation adjustments	72	15	597
Remeasurement of defined benefit plans	(255)	(397)	(2,115)
Total	55,016	51,069	456,450
Minority interests	5	5	41
Total equity	55,021	51,074	456,492
<b>TOTAL</b>	<b>¥ 102,364</b>	<b>¥ 96,004</b>	<b>\$ 849,282</b>

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Income Nine-Month Periods Ended December 31, 2014 and 2013 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2014	2013	2014
NET SALES (Note 6)	¥ 69,545	¥ 70,029	\$ 576,993
COST OF SALES	57,964	58,602	480,909
Gross profit	11,581	11,427	96,083
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:			
Delivery expenses	3,267	3,184	27,105
Provision of allowance for doubtful accounts	(32)	72	(265)
Salaries and allowances	3,953	3,862	32,796
Provision for employees' bonuses	122	113	1,012
Provision for directors' bonuses	45	40	373
Retirement benefit expenses	288	314	2,389
Other	2,560	2,496	21,239
Total selling, general and administrative expenses	10,205	10,083	84,667
Operating income (Note 6)	1,375	1,343	11,407
OTHER INCOME (EXPENSES):			
Interest and dividend income	194	185	1,609
Interest expenses	(122)	(165)	(1,012)
Gain on sales of goods	242	235	2,007
Dividend income of insurance	124	131	1,028
Loss on disposition of property, plant and equipment	(130)	(136)	(1,078)
Other—net	147	205	1,219
Other income—net	454	456	3,766
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,830	1,799	15,182
INCOME TAXES	634	791	5,260
INCOME BEFORE MINORITY INTERESTS	1,196	1,008	9,922
MINORITY INTERESTS IN NET INCOME (LOSS)	0	(1)	0
NET INCOME	¥ 1,196	¥ 1,009	\$ 9,922
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net income	¥ 13.63	¥ 11.50	\$ 0.11
Diluted net income	13.45	-	0.11
Cash dividends applicable to the period	4.00	4.00	0.03

See notes to interim consolidated financial statements.

**KYODO PRINTING CO., LTD. and Consolidated Subsidiaries**

**Interim Consolidated Statements of Comprehensive Income**  
**Nine-Month Periods Ended December 31, 2014 and 2013 (Unaudited)**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2014	2013	2014
INCOME BEFORE MINORITY INTERESTS	¥ 1,196	¥ 1,008	\$ 9,922
OTHER COMPREHENSIVE INCOME:			
Unrealized gain on available-for-sale securities	3,082	1,115	25,570
Foreign currency translation adjustments	57	9	472
Retirement benefit adjustments	141	-	1,169
Share of other comprehensive income in associate accounted for using the equity method	1	2	8
Total other comprehensive income	3,282	1,126	27,229
COMPREHENSIVE INCOME	¥ 4,479	¥ 2,135	\$ 37,160
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 4,479	¥ 2,136	\$ 37,160
Minority interests	0	(1)	0

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Cash Flows Nine-Month Periods Ended December 31, 2014 and 2013 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2014	2013	2014
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 1,830	¥ 1,799	\$ 15,182
Adjustments for:			
Income taxes—paid	(655)	(609)	(5,434)
Depreciation and amortization	3,172	3,255	26,317
Loss on sales and disposition of property, plant and equipment	125	122	1,037
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	118	731	979
(Increase) Decrease in inventories	(777)	(398)	(6,446)
Increase (Decrease) in trade payables	158	594	1,310
Increase (Decrease) in accrued consumption tax	500	163	4,148
Increase (Decrease) in accrued expense	361	83	2,995
Increase (Decrease) in allowance for doubtful accounts	(36)	47	(298)
Increase (Decrease) in accrued bonuses	(724)	(710)	(6,006)
Increase (Decrease) in liability for retirement benefits	275	274	2,281
Other—net	73	(130)	605
Total adjustments	2,591	3,423	21,496
Net cash provided by operating activities	4,422	5,223	36,687
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(2,857)	(2,874)	(23,703)
Purchases of intangible assets	(484)	(314)	(4,015)
Proceeds from sales of property, plant and equipment	5	23	41
Purchases of investment securities	(120)	(88)	(995)
Proceeds from sales of investment securities	0	17	0
Net proceeds from purchase of investment in subsidiary resulting in change of scope of consolidation	-	56	-
Other—net	(78)	(21)	(647)
Net cash used in investing activities	(3,535)	(3,201)	(29,328)
<b>FORWARD</b>	¥ 887	¥ 2,021	\$ 7,359

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Cash Flows

Nine-Month Periods Ended December 31, 2014 and 2013 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2014	2013	2014
FORWARD	¥ 887	¥ 2,021	\$ 7,359
FINANCING ACTIVITIES:			
Repayments of long-term debt	(3,681)	(2,322)	(30,540)
Proceeds from issuance of bonds with subscription rights to shares	4,982	-	41,334
Dividends paid	(702)	(702)	(5,824)
Other—net	(216)	(176)	(1,792)
Net cash provided by (used in) financing activities	381	(3,201)	3,161
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	56	7	464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,325	(1,172)	10,993
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	13,271	13,077	110,105
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 14,596	¥ 11,905	\$ 121,098

See notes to consolidated financial statements.

# KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

## Notes to Interim Consolidated Financial Statements (Unaudited)

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### 1. BASIS OF PRESENTING INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying interim consolidated financial statements of KYODO PRINTING CO., LTD. (the “Company”) and its consolidated subsidiaries (together, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accounting standard for quarterly financial statements requires companies to prepare a set of interim consolidated financial statements for each quarter comprised of the consolidated balance sheet as of the current quarter-end and the consolidated statements of income, and comprehensive income, and cash flows for the year-to-date period. A statement of changes in equity is not required.

The interim consolidated statements of changes in equity are not presented herein.

In preparing these interim consolidated financial statements, certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.53 to \$1, the approximate rate of exchange as of December 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen except for per share data. U.S. dollar figures are translated from millions of yen and rounded down to the nearest thousand dollar except for per share data.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2014, with certain simplified methods, except for the policy specifically allowed and adopted for interim accounting periods described below.

- a. Consolidation*—KYODO PRINTING (VIETNAM) CO. LTD. has been newly included in the scope of consolidation and reported in “Living and industrial materials” segment from the six-month period ended September 30, 2014 since the Company completed payment of the capital in August 2014. Nihon Shoseki Shinsha Co., Ltd., which was reported in “Other” segment, is excluded from the scope of consolidation due to the completion of liquidation in the six-month period ended September 30, 2014.
- b. Tax Expense*—Tax expense for interim period is measured by applying a reasonably estimated effective tax rate for this fiscal year as adjusted after tax effect accounting to income before income taxes for the interim period.



### 3. CHANGES IN ACCOUNTING POLICIES

On May 17, 2012, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (1) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.
- (3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of fiscal years beginning on or after April 1, 2013, and for (3) above are effective for the beginning of fiscal years beginning on or after April 1, 2014, or for the beginning of fiscal years beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard for (1) and (2) above effective March 31, 2014, and (3) above effective April 1, 2014. With respect to the application of (3) above effective April 1, 2014, the Group changed the method of attributing expected benefit to periods from a straight-line basis to a plans’ benefit formula basis and also changed the method of determining the discount rate for which a term of bonds is referred to from the method based on a period approximating the average remaining service period to the method using a single weighted average discount rate that reflects the expected timing and amount of benefit payments. The effects of these changes were to decrease liability for retirement benefits by ¥266 million (\$2,206 thousand) and to increase retained earnings by ¥171 million (\$1,418 thousand) as of April 1, 2014. The effects to operating income and income before income taxes and minority interests for the nine-month period ended December 31, 2014 were immaterial.

### 4. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents as of December 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of
	December 31, 2014	December 31, 2013	U.S. Dollars December 31, 2014
Cash and time deposits	¥ 14,877	¥ 12,230	\$ 123,429
Time deposits exceeding three months to maturity	(281)	(324)	(2,331)
Cash and cash equivalents	<u>¥ 14,596</u>	<u>¥ 11,905</u>	<u>\$ 121,098</u>

## 5. TRADE NOTES AND OTHERS

Notes maturing at the end of the period are settled on their clearance dates. As the balance sheet date of the nine-month period ended December 31, 2014 was a bank holiday, the following amounts of notes matured on the balance sheet date were included in the balance of trade notes and other current liabilities as of December 31, 2014:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Trade notes receivable	¥ 402	\$ 3,335
Trade notes payable	78	647
Notes payable - facilities (included in other current liabilities)	33	273

## 6. SEGMENT INFORMATION

### *Information about Sales and Profit (Loss)*

	Millions of Yen			
	Reportable Segment			Total
December 31, 2014	Publications and commercial printing	Business media	Living and industrial materials	
Sales:				
Sales to external customers	¥ 33,449	¥ 19,921	¥ 14,844	¥ 68,215
Intersegment sales or transfers	1,397	798	287	2,482
Total	<u>¥ 34,846</u>	<u>¥ 20,720</u>	<u>¥ 15,131</u>	<u>¥ 70,698</u>
Segment profit	¥ 676	¥ 426	¥ 291	¥ 1,394
	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 1,330	¥ 69,545	¥ -	¥ 69,545
Intersegment sales or transfers	6,523	9,006	(9,006)	-
Total	<u>¥ 7,853</u>	<u>¥ 78,552</u>	<u>¥ (9,006)</u>	<u>¥ 69,545</u>
Segment profit	¥ 303	¥ 1,697	¥ (321)	¥ 1,375

	Millions of Yen			
	Reportable Segment			
December 31, 2013	Publications and commercial printing	Business media	Living and industrial materials	Total
Sales:				
Sales to external customers	¥ 34,113	¥ 19,998	¥ 14,639	¥ 68,750
Intersegment sales or transfers	1,243	760	262	2,266
Total	<u>¥ 35,357</u>	<u>¥ 20,758</u>	<u>¥ 14,901</u>	<u>¥ 71,017</u>
Segment profit	¥ 851	¥ 265	¥ 256	¥ 1,374

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 1,278	¥ 70,029	¥ -	¥ 70,029
Intersegment sales or transfers	6,059	8,326	(8,326)	-
Total	<u>¥ 7,338</u>	<u>¥ 78,356</u>	<u>¥ (8,326)</u>	<u>¥ 70,029</u>
Segment profit	¥ 266	¥ 1,640	¥ (297)	¥ 1,343

December 31, 2014	Thousands of U.S. Dollars (Note 1)			
	Reportable Segment			
	Publications and commercial printing	Business media	Living and industrial materials	Total
Sales:				
Sales to external customers	\$ 277,515	\$ 165,278	\$ 123,156	\$ 565,958
Intersegment sales or transfers	11,590	6,620	2,381	20,592
Total	<u>\$ 289,106</u>	<u>\$ 171,907</u>	<u>\$ 125,537</u>	<u>\$ 586,559</u>
Segment profit	\$ 5,608	\$ 3,534	\$ 2,414	\$ 11,565

	Thousands of U.S. Dollars (Note 1)			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	\$ 11,034	\$ 576,993	\$ -	\$ 576,993
Intersegment sales or transfers	54,119	74,719	(74,719)	-
Total	<u>\$ 65,153</u>	<u>\$ 651,721</u>	<u>\$ (74,719)</u>	<u>\$ 576,993</u>
Segment profit	\$ 2,513	\$ 14,079	\$ (2,663)	\$ 11,407

Notes: (\*1) "Other" refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

(\*2) Reconciliations for segment profit refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments.

(\*3) Segment profits are adjusted to the operating income stated in the interim consolidated statements of income.

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