

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

*Interim Consolidated Financial Statements (Unaudited)  
for the Three-Month Period Ended June 30, 2015*

# KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

## Interim Consolidated Balance Sheets June 30, 2015 as compared with March 31, 2015 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2015	March 31, 2015	June 30, 2015
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 4)	¥ 16,247	¥ 15,368	\$ 132,650
Receivables:			
Trade notes	5,068	5,533	41,378
Trade accounts	18,115	20,077	147,901
Allowance for doubtful accounts	(56)	(61)	(457)
Short-term investments	283	283	2,310
Inventories	6,884	5,964	56,205
Deferred tax assets	637	620	5,200
Prepaid expenses and other current assets	688	512	5,617
	<u>47,869</u>	<u>48,299</u>	<u>390,831</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	15,327	15,476	125,138
Buildings and structures	42,580	42,594	347,648
Machinery and vehicles	49,066	50,358	400,604
Furniture and fixtures	5,797	5,819	47,330
Lease assets	1,814	1,782	14,810
Construction in progress	1,203	849	9,822
Total	<u>115,790</u>	<u>116,880</u>	<u>945,378</u>
Accumulated depreciation	<u>(78,200)</u>	<u>(80,099)</u>	<u>(638,471)</u>
	<u>37,589</u>	<u>36,780</u>	<u>306,899</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities	17,157	16,120	140,080
Investments in associated companies	239	264	1,951
Intangible assets	1,336	1,364	10,907
Deferred tax assets	117	113	955
Other long-term assets	1,291	1,384	10,540
Allowance for doubtful accounts	<u>(220)</u>	<u>(217)</u>	<u>(1,796)</u>
	<u>19,922</u>	<u>19,030</u>	<u>162,655</u>
<b>TOTAL</b>	<u>¥ 105,381</u>	<u>¥ 104,110</u>	<u>\$ 860,393</u>

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

### Interim Consolidated Balance Sheets June 30, 2015 as compared with March 31, 2015 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2015	March 31, 2015	June 30, 2015
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt	¥ 1,798	¥ 2,043	\$ 14,679
Payables:			
Trade notes	8,479	8,423	69,227
Trade accounts	9,638	10,004	78,690
Income taxes payable	180	498	1,469
Accrued bonuses	374	1,143	3,053
Other current liabilities	7,285	5,199	59,479
Total current liabilities	27,757	27,312	226,624
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt	11,871	12,061	96,921
Liability for retirement benefits	5,296	5,286	43,239
Deferred tax liabilities	2,596	2,235	21,195
Other long-term liabilities	201	202	1,641
Total long-term liabilities	19,965	19,786	163,006
<b>EQUITY:</b>			
Common stock—authorized, 360,800,000 shares; issued, 90,200,000 shares as of June 30, 2015 and March 31, 2015	4,510	4,510	36,822
Capital surplus	1,742	1,742	14,222
Retained earnings	43,889	43,963	358,336
Treasury stock—at cost, 2,414,256 shares as of June 30, 2015 and March 31, 2015	(547)	(547)	(4,466)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	7,717	7,021	63,006
Foreign currency translation adjustments	169	188	1,379
Remeasurement of defined benefit plans	168	126	1,371
Total	57,650	57,004	470,689
Non-controlling interests	7	7	57
Total equity	57,658	57,012	470,754
<b>TOTAL</b>	<b>¥ 105,381</b>	<b>¥ 104,110</b>	<b>\$ 860,393</b>

See notes to interim consolidated financial statements.

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

### Interim Consolidated Statements of Income Three-Month Periods Ended June 30, 2015 and 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2015	2014	2015
NET SALES (Note 5)	¥ 20,863	¥ 21,688	\$ 170,338
COST OF SALES	<u>17,663</u>	<u>18,272</u>	<u>144,211</u>
Gross profit	3,199	3,415	26,118
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 5):			
Delivery expenses	972	1,054	7,935
Provision of allowance for doubtful accounts	(1)	(14)	(8)
Salaries and allowances	1,268	1,260	10,352
Provision for employees' bonuses	119	94	971
Provision for directors' bonuses	15	15	122
Retirement benefit expenses	87	95	710
Other	<u>920</u>	<u>860</u>	<u>7,511</u>
Total selling, general and administrative expenses	<u>3,382</u>	<u>3,366</u>	<u>27,612</u>
Operating income (loss) (Note 5)	<u>(183)</u>	<u>49</u>	<u>(1,494)</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	137	107	1,118
Interest expenses	(31)	(46)	(253)
Gain on sales of goods	77	78	628
Rent income (expenses) on facilities	29	29	236
Dividend income of insurance	137	124	1,118
Gain (loss) on sales and retirement of non-current assets	273	(43)	2,228
Other—net	<u>22</u>	<u>21</u>	<u>179</u>
Other income—net	<u>646</u>	<u>270</u>	<u>5,274</u>
INCOME BEFORE INCOME TAXES	463	320	3,780
INCOME TAXES	<u>185</u>	<u>185</u>	<u>1,510</u>
NET INCOME	277	134	2,261
NET INCOME (LOSS) ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	<u>0</u>	<u>(0)</u>	<u>0</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 277</u>	<u>¥ 134</u>	<u>\$ 2,261</u>

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

### Interim Consolidated Statements of Income Three-Month Periods Ended June 30, 2015 and 2014 (Unaudited)

	Yen		U.S. Dollars	
	Three-Month Period Ended June 30		Three-Month Period Ended June 30	
	2015	2014	2015	
PER SHARE OF COMMON STOCK:				
Basic net income	¥ 3.16	¥ 1.54	\$ 0.02	
Diluted net income	2.79	-	0.02	

See notes to interim consolidated financial statements.

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

### Interim Consolidated Statements of Comprehensive Income Three-Month Periods Ended June 30, 2015 and 2014 (Unaudited)

	Millions of Yen		Thousands of
	Three-Month		U.S. Dollars
	Period Ended		(Note 1)
	June 30		Three-Month
	2015	2014	Period Ended
			June 30
			2015
NET INCOME	¥ 277	¥ 134	\$ 2,261
OTHER COMPREHENSIVE INCOME:			
Unrealized gain (loss) on available-for-sale securities	694	266	5,666
Foreign currency translation adjustments	(18)	(1)	(146)
Remeasurement of defined benefit plans	42	47	342
Share of other comprehensive income in associate accounted for using the equity method	1	0	8
Total other comprehensive income	719	312	5,870
COMPREHENSIVE INCOME	¥ 997	¥ 447	\$ 8,140
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	¥ 997	¥ 447	\$ 8,140
Non-controlling interests	0	(0)	0

See notes to interim consolidated financial statements.

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

### Interim Consolidated Statements of Cash Flows Three-Month Periods Ended June 30, 2015 and 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2015	2014	2015
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 463	¥ 320	\$ 3,780
Adjustments for:			
Income taxes—paid	(509)	(383)	(4,155)
Depreciation and amortization	1,008	1,010	8,229
(Gain) Loss on sales and retirement of property, plant and equipment	(273)	43	(2,228)
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	2,427	2,035	19,815
(Increase) Decrease in inventories	(919)	(1,028)	(7,503)
Increase (Decrease) in trade payables	(309)	224	(2,522)
Increase (Decrease) in accrued consumption tax	(558)	105	(4,555)
Increase (Decrease) in accrued expense	1,552	1,602	12,671
Increase (Decrease) in accrued bonuses	(769)	(770)	(6,278)
Increase (Decrease) in liability for retirement benefits	72	83	587
Other—net	(33)	(59)	(269)
Total adjustments	1,686	2,865	13,765
Net cash provided by operating activities	2,149	3,185	17,545
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(876)	(696)	(7,152)
Purchases of intangible assets	(86)	(137)	(702)
Proceeds from sales of property, plant and equipment	511	0	4,172
Purchases of investment securities	(4)	(11)	(32)
Other—net	30	(3)	244
Net cash used in investing activities	(425)	(848)	(3,469)
<b>FORWARD</b>	¥ 1,724	¥ 2,337	\$ 14,075

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

### Interim Consolidated Statements of Cash Flows Three-Month Periods Ended June 30, 2015 and 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2015	2014	2015
FORWARD	¥ 1,724	¥ 2,337	\$ 14,075
FINANCING ACTIVITIES:			
Repayments of long-term debt	(478)	(619)	(3,902)
Dividends paid	(351)	(351)	(2,865)
Other—net	-	(0)	-
Net cash used in financing activities	(829)	(970)	(6,768)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(15)	(0)	(122)
NET INCREASE IN CASH AND CASH EQUIVALENTS	878	1,365	7,168
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,368	13,271	125,473
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 4)	¥ 16,247	¥ 14,637	\$ 132,650

See notes to interim 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 which 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 ¥122.48 to \$1, the approximate rate of exchange as of June 30, 2015. 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, 2015, with certain simplified methods, except for the policy specifically allowed and adopted for interim accounting periods described below.

**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

#### *Application of Revised Accounting Standard for Business Combinations, etc.*

Effective from the three-month period ended June 30, 2015, the Group applied “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (the “ASBJ”) Statement No. 21, September 13, 2013; hereinafter, the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter, the “Consolidation Accounting Standard”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter, the “Business Divestitures Accounting Standard”), and other pronouncements. Accordingly, the Group recorded changes in the Company’s ownership interest in a subsidiary in the case where the parent retains control over the subsidiary as capital surplus, and changed to the method where acquisition-related costs are recorded as expenses in the fiscal year of incurrence. With respect to business combinations to be implemented after the beginning of the three-month period ended June 30, 2015, the Group changed to the method where revisions to the allocation of acquisition costs due to finalizing amounts from the

provisional accounting treatments are reflected in the interim consolidated financial statements for the period in which the business combination was carried out. In addition, the change of the presentation method of net income and other accounts and the change of minority interests to non-controlling interests were made. The interim consolidated financial statements for the three-month period ended June 30, 2014 and the consolidated financial statements for the year ended March 31, 2015 were reclassified to reflect such changes in presentation method.

In the interim consolidated statement of cash flows for the three-month period ended June 30, 2015, cash flows arising from purchase or sales of investments in subsidiaries not resulting in change of scope of consolidation were recorded under “FINANCING ACTIVITIES,” and cash flows relating to acquisition-related costs of investments in subsidiaries resulting in change of scope of consolidation and costs arising from purchase or sales of investments in subsidiaries not resulting in change of scope of consolidation were recorded under “OPERATING ACTIVITIES.”

The Business Combinations Accounting Standard and other pronouncements are applied transitionally as provided for in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidation Accounting Standard and paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and are applied prospectively from the beginning of the three-month period ended June 30, 2015.

There were no effects of this change on profit or loss.

#### 4. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents as of June 30, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of
	June 30, 2015	June 30, 2014	U.S. Dollars June 30, 2015
Cash and time deposits	¥ 16,531	¥ 14,917	\$ 134,968
Time deposits exceeding three months to maturity	(283)	(280)	(2,310)
Cash and cash equivalents	<u>¥ 16,247</u>	<u>¥ 14,637</u>	<u>\$ 132,650</u>

## 5. SEGMENT INFORMATION

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

	Millions of Yen			
	Reportable Segment			Total
June 30, 2015	Publications and Commercial Printing	Business Media	Living and Industrial Materials	
Sales:				
Sales to external customers	¥ 8,948	¥ 6,929	¥ 4,568	¥ 20,447
Intersegment sales or transfers	340	240	92	673
Total	¥ 9,288	¥ 7,170	¥ 4,661	¥ 21,120
Segment profit (loss)	¥ (513)	¥ 313	¥ (27)	¥ (226)

  

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 416	¥ 20,863	¥ -	¥ 20,863
Intersegment sales or transfers	1,826	2,500	(2,500)	-
Total	¥ 2,242	¥ 23,363	¥ (2,500)	¥ 20,863
Segment profit (loss)	¥ 31	¥ (195)	¥ 12	¥ (183)

June 30, 2014	Millions of Yen			
	Reportable Segment			
	Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 9,531	¥ 6,893	¥ 4,895	¥ 21,321
Intersegment sales or transfers	494	255	106	855
Total	¥ 10,025	¥ 7,148	¥ 5,002	¥ 22,176
Segment profit (loss)	¥ (157)	¥ 207	¥ 108	¥ 159

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 367	¥ 21,688	¥ -	¥ 21,688
Intersegment sales or transfers	1,974	2,830	(2,830)	-
Total	¥ 2,341	¥ 24,518	¥ (2,830)	¥ 21,688
Segment profit (loss)	¥ 9	¥ 168	¥ (119)	¥ 49

June 30, 2015	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	\$ 73,056	\$ 56,572	\$ 37,295	\$ 166,941
Intersegment sales or transfers	2,775	1,959	751	5,494
Total	<u>\$ 75,832</u>	<u>\$ 58,540</u>	<u>\$ 38,055</u>	<u>\$ 172,436</u>
Segment profit (loss)	\$ (4,188)	\$ 2,555	\$ (220)	\$ (1,845)

	Thousands of U.S. Dollars (Note 1)			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	\$ 3,396	\$ 170,338	\$ -	\$ 170,338
Intersegment sales or transfers	14,908	20,411	(20,411)	-
Total	<u>\$ 18,305</u>	<u>\$ 190,749</u>	<u>\$ (20,411)</u>	<u>\$ 170,338</u>
Segment profit (loss)	\$ 253	\$ (1,592)	\$ 97	\$ (1,494)

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 (loss) 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 profit (loss) is adjusted to the operating income (loss) stated in the interim consolidated statements of income.

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