

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

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

# KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

## Interim Consolidated Balance Sheets

September 30, 2015 as compared with March 31, 2015 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2015	March 31, 2015	September 30, 2015
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 4)	¥ 12,919	¥ 15,368	\$ 107,685
Receivables:			
Trade notes	4,657	5,533	38,818
Trade accounts	19,235	20,077	160,331
Allowance for doubtful accounts	(57)	(61)	(475)
Short-term investments	378	283	3,150
Inventories	7,582	5,964	63,199
Deferred tax assets	650	620	5,418
Prepaid expenses and other current assets	641	512	5,343
	<u>46,007</u>	<u>48,299</u>	<u>383,487</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	15,327	15,476	127,756
Buildings and structures	42,626	42,594	355,305
Machinery and vehicles	48,953	50,358	408,043
Furniture and fixtures	5,814	5,819	48,462
Lease assets	1,963	1,782	16,362
Construction in progress	1,503	849	12,528
Total	<u>116,188</u>	<u>116,880</u>	<u>968,475</u>
Accumulated depreciation	<u>(78,043)</u>	<u>(80,099)</u>	<u>(650,520)</u>
	<u>38,144</u>	<u>36,780</u>	<u>317,946</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities	16,222	16,120	135,217
Investments in associated companies	243	264	2,025
Intangible assets	1,338	1,364	11,152
Deferred tax assets	133	113	1,108
Other long-term assets	1,235	1,384	10,294
Allowance for doubtful accounts	<u>(176)</u>	<u>(217)</u>	<u>(1,467)</u>
	<u>18,996</u>	<u>19,030</u>	<u>158,339</u>
<b>TOTAL</b>	<u>¥ 103,148</u>	<u>¥ 104,110</u>	<u>\$ 859,781</u>

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

### Interim Consolidated Balance Sheets

September 30, 2015 as compared with March 31, 2015 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2015	March 31, 2015	September 30, 2015
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt	¥ 1,405	¥ 2,043	\$ 11,711
Payables:			
Trade notes	7,514	8,423	62,632
Trade accounts	10,519	10,004	87,680
Income taxes payable	314	498	2,617
Accrued bonuses	1,119	1,143	9,327
Other current liabilities	5,526	5,199	46,061
Total current liabilities	26,401	27,312	220,063
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt	11,793	12,061	98,299
Liability for retirement benefits	5,186	5,286	43,227
Deferred tax liabilities	2,229	2,235	18,579
Other long-term liabilities	201	202	1,675
Total long-term liabilities	19,411	19,786	161,798
<b>EQUITY (Note 5):</b>			
Common stock—authorized, 360,800,000 shares; issued, 90,200,000 shares as of September 30, 2015 and March 31, 2015	4,510	4,510	37,592
Capital surplus	1,742	1,742	14,520
Retained earnings	44,070	43,963	367,341
Treasury stock—at cost, 2,414,317 shares as of September 30, 2015 and 2,414,256 shares as of March 31, 2015	(547)	(547)	(4,559)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	7,163	7,021	59,706
Foreign currency translation adjustments	178	188	1,483
Remeasurement of defined benefit plans	210	126	1,750
Total	57,328	57,004	477,852
Non-controlling interests	8	7	66
Total equity	57,336	57,012	477,919
<b>TOTAL</b>	<b>¥ 103,148</b>	<b>¥ 104,110</b>	<b>\$ 859,781</b>

See notes to interim consolidated financial statements.

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

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
NET SALES (Note 6)	¥ 43,553	¥ 45,124	\$ 363,032
COST OF SALES	<u>36,779</u>	<u>37,801</u>	<u>306,568</u>
Gross profit	6,773	7,322	56,455
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 6):			
Delivery expenses	1,982	2,085	16,520
Provision of allowance for doubtful accounts	(11)	(24)	(91)
Salaries and allowances	2,419	2,364	20,163
Provision for employees' bonuses	366	336	3,050
Provision for directors' bonuses	30	30	250
Retirement benefit expenses	176	191	1,467
Other	<u>1,812</u>	<u>1,703</u>	<u>15,103</u>
Total selling, general and administrative expenses	<u>6,775</u>	<u>6,686</u>	<u>56,472</u>
Operating income (loss) (Note 6)	<u>(1)</u>	<u>636</u>	<u>(8)</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	161	126	1,342
Interest expenses	(62)	(88)	(516)
Gain on sales of goods	150	157	1,250
Rent income (expenses) on facilities	60	58	500
Dividend income of insurance	137	124	1,141
Gain (loss) on sales and retirement of non-current assets	198	(101)	1,650
Other—net	<u>87</u>	<u>40</u>	<u>725</u>
Other income—net	<u>734</u>	<u>318</u>	<u>6,118</u>
INCOME BEFORE INCOME TAXES	732	954	6,101
INCOME TAXES	<u>273</u>	<u>384</u>	<u>2,275</u>
NET INCOME	458	570	3,817
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	<u>1</u>	<u>1</u>	<u>8</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 457</u>	<u>¥ 568</u>	<u>\$ 3,809</u>

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

### Interim Consolidated Statements of Income

#### Six-Month Periods Ended September 30, 2015 and 2014 (Unaudited)

	Yen		U.S. Dollars	
	Six-Month Period Ended September 30		Six-Month Period Ended September 30	
	2015	2014	2015	
PER SHARE OF COMMON STOCK (Note 5):				
Basic net income	¥ 5.22	¥ 6.48	\$ 0.04	
Diluted net income	4.61	-	0.03	
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 Six-Month Periods Ended September 30, 2015 and 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
NET INCOME	¥ 458	¥ 570	\$ 3,817
OTHER COMPREHENSIVE INCOME:			
Unrealized gain (loss) on available-for-sale securities	140	468	1,166
Foreign currency translation adjustments	(9)	(2)	(75)
Remeasurement of defined benefit plans	84	94	700
Share of other comprehensive income in associate accounted for using the equity method	2	0	16
Total other comprehensive income	216	561	1,800
COMPREHENSIVE INCOME	¥ 675	¥ 1,131	\$ 5,626
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	¥ 674	¥ 1,130	\$ 5,618
Non-controlling interests	1	1	8

See notes to interim consolidated financial statements.

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

### Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2015 and 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 732	¥ 954	\$ 6,101
Adjustments for:			
Income taxes—paid	(520)	(393)	(4,334)
Depreciation and amortization	2,116	2,067	17,637
(Gain) Loss on sales and retirement of property, plant and equipment	(198)	96	(1,650)
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	1,718	976	14,320
(Increase) Decrease in inventories	(1,618)	(1,181)	(13,486)
Increase (Decrease) in trade payables	(393)	(80)	(3,275)
Increase (Decrease) in accrued consumption tax	(770)	187	(6,418)
Increase (Decrease) in liability for retirement benefits	25	153	208
Other—net	(186)	(265)	(1,550)
Total adjustments	173	1,560	1,442
Net cash provided by operating activities	906	2,515	7,551
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(2,117)	(1,892)	(17,646)
Purchases of intangible assets	(187)	(349)	(1,558)
Proceeds from sales of property, plant and equipment	513	5	4,276
Purchases of investment securities	(15)	(117)	(125)
Proceeds from sales of investment securities	14	-	116
Other—net	(75)	(36)	(625)
Net cash used in investing activities	(1,868)	(2,391)	(15,570)
<b>FORWARD</b>	¥ (961)	¥ 124	\$ (8,010)

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

### Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2015 and 2014 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
FORWARD	¥ (961)	¥ 124	\$ (8,010)
FINANCING ACTIVITIES:			
Increase in short-term bank loans	-	2,000	-
Repayments of long-term debt	(1,124)	(3,414)	(9,369)
Dividends paid	(351)	(351)	(2,925)
Other—net	(0)	(0)	(0)
Net cash used in financing activities	(1,475)	(1,766)	(12,294)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(11)	(0)	(91)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,449)	(1,642)	(20,413)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,368	13,271	128,098
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 4)	¥ 12,919	¥ 11,628	\$ 107,685

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 ¥119.97 to \$1, the approximate rate of exchange as of September 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 six-month period ended September 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 six-month period ended September 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 September 30, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2015	September 30, 2014	September 30, 2015
Cash and time deposits	¥ 13,297	¥ 11,908	\$ 110,836
Time deposits exceeding three months to maturity	(378)	(279)	(3,150)
Cash and cash equivalents	<u>¥ 12,919</u>	<u>¥ 11,628</u>	<u>\$ 107,685</u>

#### 5. SUBSEQUENT EVENT

##### *Appropriation of Retained Earnings*

The following appropriation of retained earnings as of September 30, 2015, was approved at the Company’s Board of Directors’ meeting held on November 9, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Interim cash dividends, ¥4.00 (\$0.03) per share	¥ 351	\$ 2,925

## 6. SEGMENT INFORMATION

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

	Millions of Yen			
	Reportable Segment			
	Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
<u>September 30, 2015</u>				
Sales:				
Sales to external customers	¥ 19,484	¥ 13,531	¥ 9,690	¥ 42,706
Intersegment sales or transfers	715	506	184	1,406
Total	<u>¥ 20,199</u>	<u>¥ 14,038</u>	<u>¥ 9,875</u>	<u>¥ 44,112</u>
Segment profit (loss)	¥ (483)	¥ 519	¥ 55	¥ 91
	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	¥ 846	¥ 43,553	¥ -	¥ 43,553
Intersegment sales or transfers	3,753	5,159	(5,159)	-
Total	<u>¥ 4,600</u>	<u>¥ 48,712</u>	<u>¥ (5,159)</u>	<u>¥ 43,553</u>
Segment profit (loss)	¥ 121	¥ 212	¥ (214)	¥ (1)

	Millions of Yen			
	Reportable Segment			
	Publications and Commercial Printing	Business Media	Living and Industrial Materials	Total
September 30, 2014				
Sales:				
Sales to external customers	¥ 21,113	¥ 13,453	¥ 9,760	¥ 44,327
Intersegment sales or transfers	941	483	187	1,613
Total	¥ 22,055	¥ 13,936	¥ 9,948	¥ 45,940
Segment profit	¥ 259	¥ 360	¥ 158	¥ 778

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
	Sales:			
Sales to external customers	¥ 797	¥ 45,124	¥ -	¥ 45,124
Intersegment sales or transfers	4,032	5,646	(5,646)	-
Total	¥ 4,829	¥ 50,770	¥ (5,646)	¥ 45,124
Segment profit	¥ 83	¥ 862	¥ (226)	¥ 636

September 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	\$ 162,407	\$ 112,786	\$ 80,770	\$ 355,972
Intersegment sales or transfers	5,959	4,217	1,533	11,719
Total	<u>\$ 168,367</u>	<u>\$ 117,012</u>	<u>\$ 82,312</u>	<u>\$ 367,691</u>
Segment profit (loss)	\$ (4,026)	\$ 4,326	\$ 458	\$ 758

	Thousands of U.S. Dollars (Note 1)			
	Other (*1)	Total	Reconciliations (*2)	Consolidated (*3)
Sales:				
Sales to external customers	\$ 7,051	\$ 363,032	\$ -	\$ 363,032
Intersegment sales or transfers	31,282	43,002	(43,002)	-
Total	<u>\$ 38,342</u>	<u>\$ 406,034</u>	<u>\$ (43,002)</u>	<u>\$ 363,032</u>
Segment profit (loss)	\$ 1,008	\$ 1,767	\$ (1,783)	\$ (8)

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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