

Consolidated Business Results for the Nine Months Ended December 31, 2018
REPORTED BY KOMORI CORPORATION (Japanese GAAP)

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Preparation of supplementary materials for quarterly financial results: Yes
 Holding of presentation meeting for quarterly financial results: Yes (for financial analysts/investors)

1. Consolidated Business Results for the Third Quarter (April 1, 2018 to December 31, 2018)

(1) Results of operations (In millions of yen, rounded down)

	Nine months ended December 31, 2018	%	Nine months ended December 31, 2017	%
Net sales	60,414	(5.4)	63,870	12.0
Operating income	174	(87.0)	1,340	-
Ordinary income	68	(97.1)	2,412	-
Profit (loss) attributable to owners of parent	(803)	-	1,633	-

(Yen)

Basic earnings (loss) per share	(13.80)	28.06
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Nine months ended December 31, 2018: (2,868) million yen - %

Nine months ended December 31, 2017: 3,010 million yen - %

2. Percentage figures accompanying consolidated net sales indicate the percentage increase/decrease from the corresponding period of the previous fiscal year.

(2) Financial position (In millions of yen, rounded down)

	December 31, 2018	March 31, 2018
Total assets	166,635	181,199
Total net assets	127,262	132,451
Equity ratio (%)	76.4	73.1

Reference:

Equity as of: December 31, 2018: 127,262 million yen

March 31, 2018: 132,451 million yen

2. Dividends

(Yen)

	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019	Fiscal year ending March 31, 2019 (Forecast)
Cash dividends per share			
First quarter period-end dividends	-	-	-
Second quarter period-end dividends	20.00	20.00	-
Third quarter period-end dividends	-	-	-
Year-end dividends	20.00	-	20.00
Annual cash dividends	40.00	-	40.00

Note: Revision to the latest dividend forecast announced in May 2018: None

(English translation of "KESSAN TANSIN" originally issued in Japanese.)

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(In millions of yen, rounded down)

	Fiscal year ending March 31, 2019	%
Net sales	93,000	(1.2)
Operating income	1,500	(59.8)
Ordinary income	1,800	(59.3)
Profit attributable to owners of parent	1,100	(64.2)
(Yen)		
Basic earnings per share	18.89	

Notes:

1. Revision to the latest forecast of consolidated business results announced in October 2018: None
2. Percentage figures in the above table indicate the percentage increase/decrease from the corresponding period of the previous fiscal year.

***Notes**

(1) Changes in significant subsidiaries during the period under review: None

Note: Indicates changes in the scope of consolidation accompanying changes in specified subsidiaries during the period under review

(2) Adoption of the simplified accounting and special accounting methods for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies; changes in accounting estimates; restatements

- | | |
|---|------|
| 1. Changes in accounting policies accompanying revisions to accounting standards: | None |
| 2. Changes other than those in item 1. above: | None |
| 3. Changes in accounting estimates: | None |
| 4. Restatements: | None |

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock) as of:

December 31, 2018:	62,292,340 shares
March 31, 2018:	62,292,340 shares
2. Number of treasury shares as of:

December 31, 2018:	4,067,267 shares
March 31, 2018:	4,066,721 shares
3. Average number of shares during the period

Nine months ended December 31, 2018:	58,225,495 shares
Nine months ended December 31, 2017:	58,226,286 shares

* This quarterly financial flash report (KESSAN TANSIN) is not subject to quarterly review by certified public accountants or auditing firms as specified under the Financial Instruments and Exchange Law of Japan.

* Disclaimer regarding the appropriate use of performance forecasts and other remarks

The aforementioned forecasts are based on management's assumptions and beliefs held in light of information currently available to it and accordingly involve risks and uncertainties that may cause actual results to differ materially from forecasts. These uncertainties include, but are not limited to, changes in economic conditions, market trends, changes in foreign currency exchange rates and other factors.

Materials for the summary result presentation in Japanese will be disclosed through the Tokyo Stock Exchange's Timely Disclosure Network, known as TDnet, on February 7, 2019. The same materials will be posted on Komori's website. Also, English translations of these materials will be posted on the Company's website at http://www.komori.com/contents_com/ir/index.htm

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1. Qualitative Information Regarding the Quarterly Financial Results

(1) Overview of Consolidated Business Results

Consolidated net sales during the first nine months of the fiscal year under review amounted to ¥60,414 million, representing a 5.4% decrease from the same period of the previous fiscal year. An overview of consolidated net sales by region is set out below.

Overview of Consolidated Net Sales by Region

(In millions of yen)

		Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Increase / (Decrease) (%)
Net sales		63,870	60,414	(5.4)
Breakdown	Japan	24,524	24,364	(0.7)
	North America	5,950	4,826	(18.9)
	Europe	11,880	11,291	(5.0)
	Greater China	7,674	11,745	53.1
	Other Regions	13,839	8,186	(40.8)

Domestic Sales

Despite the deceleration of growth in exports, the Japanese economy enjoyed continued recovery backed by improvement in employment. Although domestic net sales edged down 0.7% year on year to ¥24,364 million, orders received during the first nine months of the fiscal year were in excess of orders received during the same period of the previous fiscal year. This was due in part to the positive effect of Komori's participation in the IGAS 2018 International Graphic Arts Show held in July 2018.

North America

In North America, continuous improvement in employment and robust personal consumption backed by an income tax cut helped the economy grow steadily. Moreover, sales of Komori's consumable supplies and maintenance services continued and were in excess of those in the same period of the previous fiscal year. Nevertheless, net sales in this region were down 18.9% year on year to ¥4,826 million due mainly to ongoing investment in digital technologies that prompted printing companies to take a cautious approach to investment in offset printing presses.

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Europe

European economies remained robust, backed by strong domestic demand. However, demand for printing machinery was stagnant. This was due in part to recoil from significant sales growth in the second quarter of the previous fiscal year resulting from tax benefit policies executed in France to facilitate capital expenditure. Moreover, a sense of uncertainty over the Brexit negotiations negatively affected demand for printing machinery. Consequently, net sales in this region decreased 5.0% compared with the same period of the previous fiscal year to ¥11,291 million.

Greater China

Economies in Greater China have been supported by growth in consumption thanks to tax cuts executed by the Chinese government. However, the negative impact of U.S.-China trade tension dampened the pace of economic growth. Nevertheless, Komori benefited from steadily firm demand for facility upgrades associated with offset printing presses, with some printing companies planning factory relocations aimed at securing responsiveness to environmental regulations and others seeking solutions that realize high-value-added printing services and labor-saving operations due to their need to curb growth in personnel expenses. Consequently, net sales in this region increased 53.1% year on year to ¥11,745 million.

Other Regions

In Other Regions, the Indian economy saw signs of recovery after having returned to normal following the disorder caused by such factors as the introduction of the Goods and Services Tax (GST) in July 2017. Also, ASEAN countries continued to enjoy overall economic growth. Although sales of offset printing presses remained virtually unchanged from the same period of the previous fiscal year, net sales in Other Regions were down year on year as only a handful of currency printing press supply projects came up for bidding in the previous fiscal year. As a result, net sales in Other Regions decreased 40.8% compared with the same period of the previous fiscal year to ¥8,186 million.

Turning to expenses, the cost of sales ratio grew year on year due to such factors as changes in sales by product category. The ratio of selling, general and administrative (SG&A) expenses to net sales was up year on year due mainly to growth in personnel expenses and corporate spending on advertising as well as a decrease in consolidated net sales. As a result, the Company posted operating income of ¥174 million for the first

nine months of the fiscal year under review, compared with operating income of ¥1,340 million in the same period of the previous fiscal year. The Company posted ordinary income totaling ¥68 million, compared with ordinary income of ¥2,412 million in the same period of the previous fiscal year. This was due in part to a turnaround from foreign exchange gains totaling ¥731 million recorded in the first nine months of the previous fiscal year to foreign exchange losses totaling ¥76 million recorded in the same period of the fiscal year under review.

For the first nine months of the fiscal year under review, the Company recorded income before income taxes totaling ¥33 million, a decrease from income before income taxes totaling ¥2,251 million posted in the same period of the previous fiscal year. Reflecting these factors, Komori posted a net loss attributable to owners of the parent totaling ¥803 million, compared with net income attributable to owners of the parent totaling ¥1,633 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of December 31, 2018, total assets stood at ¥166,635 million, down ¥14,563 million (8.0%) from the end of the previous fiscal year. Key negative factors contributing to the decrease in total assets were a ¥9,326 million decrease in cash and deposits, a ¥7,337 million decrease in notes and accounts receivable—trade, a ¥3,711 million decrease in short-term investment securities and a ¥2,335 million decrease in investments and other assets. Key positive factors affecting total assets included an ¥8,724 million increase in inventories.

Liabilities and Net Assets

Liabilities as of December 31, 2018 were ¥39,373 million, down ¥9,374 million (19.2%) from the end of the previous fiscal year. The key factors leading to this decrease were a ¥10,000 million decrease in current portion of bonds, a ¥974 million decrease in income taxes payable, an ¥878 million decrease in other provisions and a ¥529 million decrease in current liabilities—other. Key positive factors affecting liabilities were a ¥2,259 million increase in electronically recorded monetary obligations and a ¥713 million increase in notes and accounts payable—trade.

Net assets totaled ¥127,262 million, down ¥5,189 million (3.9%) year on year. Primary negative factors leading to this decrease included a ¥3,123 million decrease in retained earnings and a ¥2,135 million decrease in valuation difference on available-for-sale securities.

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Equity Ratio

The equity ratio as of December 31, 2018 stood at 76.4%, up 3.3 percentage points from 73.1% at the end of the previous fiscal year.

(3) Consolidated Operating Results Forecasts and Other Information on the Future Outlook

With regard to consolidated operating results forecasts for the full fiscal year ending March 31, 2019, the Company has not revised its previous forecasts disclosed on October 26, 2018.

2. CONSOLIDATED FINANCIAL STATEMENTS**(1) Consolidated Balance Sheets**

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(March 31, 2018)	(December 31, 2018)
(ASSETS)		
Current Assets:		
Cash and deposits	43,140	33,814
Notes and accounts receivable	24,281	16,944
Electronically recorded monetary claims	2,317	2,218
Short-term investment securities	20,698	16,986
Merchandise and finished goods	11,822	17,182
Work in process	7,518	10,466
Raw materials and supplies	8,460	8,877
Other	2,293	2,832
Allowance for doubtful accounts	(377)	(343)
Total current assets	120,155	108,979
Noncurrent Assets:		
Property, plant and equipment		
Land	18,063	18,022
Other, net	14,707	13,962
Total property, plant and equipment	32,771	31,985
Intangible assets	2,071	1,805
Investments and other assets	26,201	23,866
Total noncurrent assets	61,044	57,656
Total Assets	181,199	166,635

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(1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(March 31, 2018)	(December 31, 2018)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	12,251	12,964
Electronically recorded obligations	6,604	8,864
Short-term loans payable	198	615
Current portion of bonds	10,000	-
Income taxes payable	984	9
Provision for loss on guarantees	242	167
Other provision	2,123	1,244
Other	12,392	11,863
Total current liabilities	44,796	35,730
Noncurrent Liabilities:		
Net defined benefit liability	3,145	2,868
Provision	150	140
Other	655	634
Total noncurrent liabilities	3,951	3,643
Total Liabilities	48,748	39,373
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	59,730	56,606
Treasury stock	(5,057)	(5,057)
Total shareholders' equity	130,177	127,052
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	4,623	2,488
Foreign currency translation adjustment	(959)	(968)
Remeasurements of defined benefit plans	(1,389)	(1,310)
Total other comprehensive income	2,274	209
Total Net Assets	132,451	127,262
Total Liabilities and Net Assets	181,199	166,635

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(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

For the nine months ended December 31, 2018 and 2017

(In millions of yen)

	Fiscal 2018 (April 1, 2017 to December 31, 2017)	Fiscal 2019 (April 1, 2018 to December 31, 2018)
Net Sales	63,870	60,414
Cost of Sales	44,011	41,792
Reversal of unrealized income on installment sales	2	2
Gross profit	19,860	18,624
Selling, General and Administrative Expenses	18,520	18,450
Operating Income	1,340	174
Non-Operating Income		
Interest income	52	61
Dividends income	251	244
Foreign exchange gains	731	-
Other	293	221
Total non-operating income	1,328	527
Non-Operating Expenses		
Interest expenses	47	50
Foreign exchange losses	-	76
Compensation for damage	119	437
Other	89	67
Total non-operating expenses	255	632
Ordinary income	2,412	68
Extraordinary Income		
Gain on sales of noncurrent assets	0	0
Gain on sales of investment securities	29	-
Total extraordinary income	29	0
Extraordinary Loss		
Loss on sales of noncurrent assets	6	24
Loss on retirement of noncurrent assets	13	11
Retirement benefit expenses	170	-
Total extraordinary loss	190	36
Income before income taxes	2,251	33
Income taxes-current	464	463
Income taxes-deferred	153	373
Total income taxes	617	836
Profit (loss)	1,633	(803)
Profit (loss) attributable to owners of parent	1,633	(803)

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Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2018 and 2017

(In millions of yen)

	Fiscal 2018 (April 1, 2017 to December 31, 2017)	Fiscal 2019 (April 1, 2018 to December 31, 2018)
Profit (loss)	1,633	(803)
Other comprehensive income		
Valuation difference on available-for-sale securities	896	(2,135)
Foreign currency translation adjustment	322	(9)
Remeasurements of defined benefit plans, net of tax	157	79
Total other comprehensive income	1,376	(2,065)
Comprehensive Income (Loss)	3,010	(2,868)
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	3,010	(2,868)

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**(3) Notes Regarding Quarterly Consolidated Financial Statements
(Notes on Premise as a Going Concern)**

None

(Notes in the Case of a Significant Change in Shareholders' Equity)

None

(Additional Information)

The Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.

In the first three months of the fiscal year under review, Komori adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, dated February 16, 2018). In line with this standard, deferred tax assets are classified under total investments and advances, while deferred tax liabilities are classified under noncurrent liabilities.