

Consolidated Business Results for the Three Months Ended June 30, 2019
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 First Quarter (April 1, 2019 to June 30, 2019)

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

	Three months ended June 30, 2019	%	Three months ended June 30, 2018	%
Net sales	17,662	10.6	15,969	(0.9)
Operating income (loss)	(929)	-	(1,349)	-
Ordinary income (loss)	(1,028)	-	(1,173)	-
Profit (loss) attributable to owners of parent	(837)	-	(1,192)	-

(Yen)

Basic earnings (loss) per share	(14.51)	(20.49)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Three months ended June 30, 2019: (1,527) million yen - %
Three months ended June 30, 2018: (1,645) 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)

	June 30, 2019	March 31, 2019
Total assets	164,380	167,370
Total net assets	126,186	130,184
Equity ratio (%)	76.7	77.7

Reference:

Equity as of: June 30, 2019: 126,101 million yen
March 31, 2019: 130,110 million yen

2. Dividends

(Yen)

	Fiscal year ended March 31, 2019	Fiscal year ending March 31, 2020	Fiscal year ending March 31, 2020 (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 2019: None

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3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(In millions of yen, rounded down)

	Six months ending September 30, 2019	%	Fiscal year ending March 31, 2020	%
Net sales	41,500	3.2	93,200	3.3
Operating income (loss)	(400)	-	2,300	(15.0)
Ordinary income (loss)	(400)	-	2,400	(4.1)
Profit (loss) attributable to owners of parent	(700)	-	1,400	(2.0)
		(Yen)		(Yen)
Basic earnings per share	(12.25)		24.49	

Notes:

1. Revision to the latest forecast of consolidated business results announced in May 2019: No
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: Yes
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:

June 30, 2019:	58,292,340 shares
March 31, 2019:	62,292,340 shares
2. Number of treasury shares as of:

June 30, 2019:	1,134,813 shares
March 31, 2019:	4,067,383 shares
3. Average number of shares during the period

Three months ended June 30, 2019:	57,699,382 shares
Three months ended June 30, 2018:	58,225,609 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 August 6, 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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Qualitative Information Regarding the Quarterly Financial Results

(1) Overview of Consolidated Business Results

Consolidated net sales during the first three months of the fiscal year under review amounted to ¥17,662 million, representing a 10.6% increase 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)

		Three Months Ended June 30, 2018	Three Months Ended June 30, 2019	Increase / (Decrease) (%)
Net sales		15,969	17,662	10.6
Breakdown	Japan	6,377	6,461	1.3
	North America	888	1,495	68.3
	Europe	3,011	2,835	(5.8)
	Greater China	3,203	3,535	10.4
	Other Regions	2,488	3,333	34.0

Domestic Sales

Despite robust domestic demand, the Japanese economy was affected by stagnant exports and thus remained virtually flat. Although sales of offset printing presses grew year on year, a significant downturn in the performance of the printed electronics (PE) business caused domestic sales to remain virtually unchanged at ¥6,461 million, which represents a slight increase of 1.3% from the same period of the previous fiscal year.

North America

In North America, the economy continued to grow solidly thanks to personal consumption supported by robust employment and wages, as well as steady growth in corporate earnings. Against this backdrop, some printing companies initiated, albeit cautiously, capital expenditure in offset printing presses. As a result, net sales in this region increased 68.3% year on year to ¥1,495 million.

Europe

In Europe, a sense of stagnation affected economies due to such factors as sluggish performance in the manufacturing sector. In the United Kingdom, printing machinery

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demand remained stagnant due to a growing sense of caution regarding the uncertain outlook of completing a Brexit deal. Demand was also weak in Eastern Europe, Southern Europe and other markets in which Komori's distributors operate. In France, there were signs of demand growth, thanks to a turnaround from the falloff in the previous fiscal year. Under these economic conditions, overall net sales in this region decreased 5.8% year on year to ¥2,835 million.

Greater China

In Greater China, the pace of economic growth decelerated due to U.S.-China trade tension. However, the economy remained virtually flat thanks to domestic demand supported by government-led economic policies. Amidst these circumstances, Komori participated in PRINT CHINA 2019, an international printing technology exhibition held in Guangdong from April 9 to 13, 2019. Komori's participation in this event triggered a number of business inquiries. As a result, net sales in this region grew 10.4% year on year to ¥3,535 million. On April 29, 2019, Komori acquired all shares in Shenzhen Infotech Technology Co., Ltd., which has been serving as its distributor in China, through subsidiary Komori Hong Kong Limited. This move helped Komori increase its presence in China, the world's largest printing machinery market.

Other Regions

In Other Regions, results of the May 2019 general election in India affirmed the Indian government's adherence to its current economic policies. Meanwhile, ASEAN nations continued to see overall economic growth. As a result, sales grew in India and ASEAN nations. Overall, net sales in Other Regions rose 34.0% year on year to ¥3,333 million.

Turning to expenses, the cost of sales ratio decreased year on year due to such factors as the effect of foreign exchange rate fluctuations and changes in sales by product category. The ratio of selling, general and administrative (SG&A) expenses to net sales was down year on year due mainly to a decrease in provision for product warranties. As a result, the Company posted operating loss of ¥929 million, compared with operating loss of ¥1,349 million in the same period of the previous fiscal year.

The Company posted an ordinary loss totaling ¥1,028 million, compared with ordinary loss of ¥1,173 million in the same period of the previous fiscal year. This was due in part to a reduction in operating loss, despite greater foreign exchange losses compared with the same period of the previous fiscal year.

For the first three months of the fiscal year under review, the Company

recorded a loss before income taxes totaling ¥1,029 million, compared with a loss before income taxes totaling ¥1,197 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 ¥837 million, compared with net loss attributable to owners of the parent totaling ¥1,192 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of June 30, 2019, total assets stood at ¥164,380 million, down ¥2,990 million (1.8%) from the end of the previous fiscal year. Key negative factors leading to this decrease included a ¥9,036 million decrease in notes and accounts receivable—trade, a ¥2,115 million decrease in cash and deposits and a ¥720 million decrease in short-term investment securities. Key positive factors contributing to total assets were a ¥3,874 million increase in goodwill, a ¥2,408 million increase in inventories, a ¥1,445 million increase in current assets—other and a ¥1,015 million increase in electronically recorded monetary claims.

Liabilities and Net Assets

Liabilities as of June 30, 2019 were ¥38,194 million, up ¥1,008 million (2.7%) from the end of the previous fiscal year. The key contributors to this increase included a ¥2,888 million increase in current liabilities—other. Key negative factors impacting liabilities were a ¥883 million decrease in other provisions, a ¥711 million decrease in notes and accounts payable—trade and a ¥457 million decrease in electronically recorded monetary obligations.

Net assets totaled ¥126,186 million, down ¥3,998 million (3.1%) from the end of the previous fiscal year. Primary factors leading to this decrease included a ¥7,007 million decrease in retained earnings, a ¥379 million decrease in foreign currency translation adjustment and a ¥346 million decrease in valuation difference on available-for-sale securities. Primary positive factors contributing to net assets included a ¥3,699 million decrease in treasury stock.

Equity Ratio

The equity ratio as of June 30, 2019 stood at 76.7%, down 1.0 of a percentage point from 77.7% 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, the Company has not revised its previous forecasts disclosed on May 13, 2019 with regard to operating results for the six months ending September 30, 2019 and the full year operating results for the fiscal year ending March 31, 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2019	Fiscal 2020
	(March 31, 2019)	(June 30, 2019)
(ASSETS)		
Current Assets:		
Cash and deposits	33,988	31,872
Notes and accounts receivable	23,748	14,711
Electronically recorded monetary claims	2,402	3,418
Short-term investment securities	15,194	14,474
Merchandise and finished goods	13,309	15,747
Work in process	10,091	9,811
Raw materials and supplies	8,827	9,077
Other	2,217	3,663
Allowance for doubtful accounts	(328)	(327)
Total current assets	109,451	102,449
Noncurrent Assets:		
Property, plant and equipment		
Land	18,020	18,006
Other, net	13,879	14,254
Total property, plant and equipment	31,900	32,261
Intangible assets		
Goodwill	685	4,560
Other	1,557	1,481
Total intangible assets	2,243	6,042
Investments and other assets	23,775	23,627
Total noncurrent assets	57,919	61,930
Total Assets	167,370	164,380

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(1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2019	Fiscal 2020
	(March 31, 2019)	(June 30, 2019)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	12,575	11,864
Electronically recorded obligations	7,819	7,362
Short-term loans payable	39	41
Income taxes payable	169	239
Provision for loss on guarantees	132	122
Other provision	2,109	1,226
Other	10,964	13,852
Total current liabilities	33,809	34,709
Noncurrent Liabilities:		
Net defined benefit liability	2,559	2,521
Provision	141	142
Other	676	821
Total noncurrent liabilities	3,376	3,485
Total Liabilities	37,185	38,194
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	58,797	51,789
Treasury stock	(5,058)	(1,358)
Total shareholders' equity	129,242	125,934
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	2,871	2,525
Foreign currency translation adjustment	(834)	(1,214)
Remeasurements of defined benefit plans	(1,169)	(1,143)
Total other comprehensive income	867	167
Non-controlling interests	74	84
Total Net Assets	130,184	126,186
Total Liabilities and Net Assets	167,370	164,380

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

For the three months ended June 30, 2019 and 2018

(In millions of yen)

	Fiscal 2019 (April 1, 2018 to June 30, 2018)	Fiscal 2020 (April 1, 2019 to June 30, 2019)
Net Sales	15,969	17,662
Cost of Sales	11,301	12,383
Reversal of unrealized income on installment sales	0	0
Gross profit	4,669	5,279
Selling, General and Administrative Expenses	6,018	6,209
Operating loss	(1,349)	(929)
Non-Operating Income		
Interest income	20	22
Dividends income	151	136
Other	85	93
Total non-operating income	258	252
Non-Operating Expenses		
Interest expenses	14	1
Foreign exchange losses	23	312
Other	44	38
Total non-operating expenses	82	352
Ordinary loss	(1,173)	(1,028)
Extraordinary Income		
Gain on sales of noncurrent assets	0	-
Total extraordinary income	0	-
Extraordinary Loss		
Loss on sales of noncurrent assets	24	-
Loss on retirement of noncurrent assets	0	0
Total extraordinary loss	24	0
Loss before income taxes	(1,197)	(1,029)
Income taxes-current	213	54
Income taxes-deferred	(218)	(258)
Total income taxes	(4)	(203)
Loss	(1,192)	(825)
Profit attributable to non-controlling interests	-	11
Loss attributable to owners of parent	(1,192)	(837)

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Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2019 and 2018

(In millions of yen)

	Fiscal 2019 (April 1, 2018 to June 30, 2018)	Fiscal 2020 (April 1, 2019 to June 30, 2019)
Loss	(1,192)	(825)
Other comprehensive income		
Valuation difference on available-for-sale securities	(561)	(346)
Foreign currency translation adjustment	85	(381)
Remeasurements of defined benefit plans, net of tax	23	25
Total other comprehensive income	(453)	(701)
Comprehensive Income (Loss)	(1,645)	(1,527)
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	(1,645)	(1,537)
Comprehensive income attributable to non-controlling interests	-	9

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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)

(i) Acquisition of treasury stock

Based on a resolution passed at a Board of Directors meeting held on March 25, 2019, Komori has decided to purchase treasury stock in accordance with Article 459-1 of the Japanese Corporate Code and the Company's Articles of Incorporation. In accordance with this decision, Komori acquired 1,067,400 shares of treasury stock in the first quarter of the fiscal year ending March 31, 2020. This resulted in a ¥1,296 million increase in treasury stock.

(ii) Cancellation of treasury stock

Based on the aforementioned resolution, Komori also decided to cancel its treasury stock in accordance with Article 178 of the Japanese Corporate Code. In accordance with this decision, Komori cancelled 4,000,000 shares of treasury stock on April 26, 2019. This resulted in a ¥4,995 million decrease each in retained earnings and treasury stock.

(Change in the Scope of Consolidation or Application of Equity Method)

(Significant Change in the Scope of Consolidation)

Komori acquired all shares in Shenzhen Infotech Technology Co., Ltd. through subsidiary Komori Hong Kong Limited. Shenzhen Infotech Technology Co., Ltd. is now renamed Komori (Shenzhen) Print Engineering Co., Ltd. and included into the scope of consolidation from the first quarter of the fiscal year ending March 31, 2020 onward.

(Change in Accounting Policies)

In the first quarter of the fiscal year ending March 31, 2020, Komori adopted the International Financial Reporting Standards (IFRS) No. 16 "Leases" (hereinafter "IFRS 16") for its foreign subsidiaries to which IFRS is applicable. Upon the adoption of this standard, all of these subsidiaries are mandated to present their lease borrowings on consolidated balance sheets as assets or liabilities. In addition, Komori's adoption of IFRS 16 is subject to the transitional treatment. Accordingly, the cumulative impact of

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change in accounting policies is reflected in retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2020.

As of June 30, 2019, the aforementioned change resulted in a ¥278 million increase in property, plant and equipment, a ¥111 million increase in current liabilities—other, and a ¥186 million increase in noncurrent liabilities—other. However, overall impact on quarterly profit and loss is insignificant. In addition, this change caused retained earnings at the beginning of the fiscal year to decline by ¥19 million.

(Business Combination, etc.)

Business combination via share acquisition

1. Outline of business combination

(1) Name and business of the acquired company

Name of the acquired company	Shenzhen Infotech Technology Co., Ltd.
Main business	Sales of and services associated with printing equipment and its peripheral equipment and expendables

(2) Reasons for undertaking business combination

This firm has been a credible Komori partner, acting as a distributor for about 20 years, with clear understanding of Komori's company policy and products. Having sold more than 1,600 Komori printing presses, Infotech has built up a solid customer base and sales organization. Komori made it a subsidiary in order to expand its operations in the world's largest printing machinery market in China and, to this end, enhance its ability to deliver cutting-edge printing presses in a proactive and timely manner, accurately satisfying local customer requirements for ever more sophisticated solutions.

(3) Date of business combination

April 29, 2019

(4) Legal form of business combination

Purchase of shares in exchange for cash

(5) Name of the acquired company after business combination

Komori (Shenzhen) Print Engineering Co., Ltd.

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(6) The ratio of voting rights acquired

100%

(7) Basis for determining the acquiring company

Komori's subsidiary acquired 100% of shares in exchange for cash.

2. Period of the acquired company's operating results included in consolidated quarterly statement of income

From May 1 to June 30, 2019

3. Acquisition cost of the acquired company and breakdown of acquisition cost by category

Not disclosed due to the agreement between related parties.

4. Amount of goodwill recorded, reasons for recording goodwill and amortization method and period

(1) Amount of goodwill recorded

¥4,190 million (based on provisional calculation)

(2) Reasons for recording goodwill

As acquisition cost was in excess of net value of transferred assets and liabilities, the excess amount was recorded as goodwill.

(3) Amortization method and period

Straight-line method: eight years