

# **Consolidated Business Results for the Three Months Ended June 30, 2020** **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

July 30 2020

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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, 2020 to June 30, 2020)**

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

	Three months ended June 30, 2020	%	Three months ended June 30, 2019	%
Net sales	13,660	(22.7)	17,662	10.6
Operating income (loss)	(921)	-	(929)	-
Ordinary income (loss)	(802)	-	(1,028)	-
Profit (loss) attributable to owners of parent	(143)	-	(837)	-

(Yen)

Basic earnings (loss) per share	(2.57)	(14.51)
Diluted earnings per share	-	-

Notes:

### 1. Comprehensive income (loss):

Three months ended June 30, 2020: 287 million yen - %

Three months ended June 30, 2019: (1,527) 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, 2020	March 31, 2020
Total assets	140,949	135,697
Total net assets	97,705	97,979
Equity ratio (%)	69.3	72.2

Reference:

Equity as of: June 30, 2020: 97,642 million yen  
March 31, 2020: 97,912 million yen

## **2. Dividends**

(Yen)

	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2021	Fiscal year ending March 31, 2021 (Forecast)
Cash dividends per share			
First quarter period-end dividends	-	-	-
Second quarter period-end dividends	20.00	-	-
Third quarter period-end dividends	-	-	-
Year-end dividends	10.00	-	-
Annual cash dividends	30.00	-	-

Notes:

Revision to the latest dividend forecast announced in May 2020: None

Komori has yet to determine its dividend forecast for the fiscal year ending March 31, 2021. When this becomes possible, the Company will disclose its forecast to stakeholders.

### 3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

As current circumstances make it difficult to reasonably estimate the impact of the novel coronavirus pandemic, Komori has yet to determine its consolidated operating results forecasts for the fiscal year ending March 31, 2021. Looking ahead, the Company will promptly disclose its forecasts when conditions become clear enough to make reasonable estimates.

#### \*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: |                   |
| June 30, 2020:  | 58,292,340 shares |
| March 31, 2020:   | 58,292,340 shares |
| 2. Number of treasury shares as of:                               |                   |
| June 30, 2020:  | 2,368,057 shares  |
| March 31, 2020:   | 2,368,005 shares  |
| 3. Average number of shares during the period                     |                   |
| Three months ended June 30, 2020:                                 | 55,924,296 shares |
| Three months ended June 30, 2019:                                 | 57,699,382 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

Komori has yet to determine its consolidated operating results forecasts for the fiscal yearending March 31, 2021, as current circumstances make it difficult to reasonably estimate the impact of the novel coronavirus pandemic. Looking ahead, the Company will promptly disclose its forecasts when conditions become clear enough to make reasonable estimates.

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 5, 2020. 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 <https://www.komori.com/ir/en/>

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## 1. 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 ¥13,660 million, representing a 22.7% decrease from the same period of the previous fiscal year, due to the fallout from the novel coronavirus pandemic worldwide. 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, 2019	Three Months Ended June 30, 2020	Increase / (Decrease) (%)
Net sales		17,662	13,660	(22.7%)
Breakdown	Japan	6,461	6,082	(5.9%)
	North America	1,495	476	(68.1%)
	Europe	2,835	1,994	(29.7%)
	Greater China	3,535	2,353	(33.4%)
	Other Regions	3,333	2,753	(17.4%)

#### *Domestic Sales*

In the domestic market, printing companies remained cautious toward making capital expenditures as the overall volume of printed materials declined due mainly to the suspension of events, shrinkage of marketing activities and a major decrease in consumption associated with inbound tourism. This trend caused sales of offset printing presses to decrease from the same period of the previous fiscal year. However, sales of the printed electronics (PE) business grew year on year thanks to improving market conditions. Consequentially, domestic sales declined 5.9% year on year to ¥6,082 million.

#### *North America*

Although economic activities have gradually resumed from mid-May 2020 onward, the spread of novel coronavirus is still ongoing in North America. Reflecting these factors, net sales in this region decreased 68.1% from the same period of the previous fiscal year to ¥476 million.

#### *Europe*

In Europe, key economies including Germany, which has seen quick recovery, resumed gradually from mid-May 2020. However, the novel coronavirus pandemic significantly affected Komori's operating results in this quarter, with overall net sales in this region

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declining 29.7% year on year to ¥1,994 million.

### ***Greater China***

In Greater China, although economic activities resumed earlier than other regions, travel bans and other restrictions aimed at preventing the spread of the virus led to stagnation in the orders Komori received in the final quarter of the previous fiscal year. This, in turn, caused net sales in this region to decline 33.4% year on year to ¥2,353 million for the first three months.

### ***Other Regions***

In Other Regions, which include ASEAN, India and Oceania as well as Central and South America, sales in India fell sharply, while sales in other markets stagnated. As a result, overall net sales in Other Regions dropped 17.4% year on year to ¥2,753 million.

In addition, Komori was chosen as one of the 100 Global Niche Top Companies by the Ministry of Economy, Trade and Industry (METI) in the first quarter of the fiscal year under review. Under the 2020 selection program sponsored by METI, 100 companies have been commended for their growing presence in niche fields and supply chains as the business environment surrounding Japan's industrial sector evolves due to the advancement of the digital economy, changes in global political and economic trends, and changes in the country's social structure brought about by the graying population, low birth rate and other factors. Komori was named as one such company thanks to its considerable global market share backed by its offset printing press and other world-leading product and software technologies. Other factors contributing to this selection included the Company's unparalleled domestic presence as the only currency printing press manufacturer in Japan and a robust track record in supplying security and banknote printing facilities to several tens of countries around the world in addition to the unique business model Komori has established by combining digital printing systems and offset printing presses. Using this as a springboard, Komori will continuously contribute to the development of the world's printing industry.

Turning to expenses, the cost of sales ratio increased year on year due to such factors as lower production volume, changes in foreign currency exchange rates and a sales mix variance. On the other hand, while consolidated net sales fell year on year in this quarter, selling, general and administrative (SG&A) expenses decreased from ¥6,209 million in the same period of the previous fiscal year to ¥4,874 million. This was mainly attributable to reduction in personnel, shipping, travel, commuting and other expenses. As a result, the Company posted operating loss of ¥921 million, compared with operating loss of ¥929 million in the same period of the previous fiscal year.

The Company posted an ordinary loss of ¥802 million, compared with an ordinary loss of ¥1,028 million in the same period of the previous fiscal year, thanks in part to a year-on-year decrease in foreign exchange losses.

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

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a loss before income taxes of ¥157 million, compared with a loss before income taxes of ¥1,029 million in the same period of the previous fiscal year, reflecting the recording of gains on negative goodwill. Taking these factors into account, Komori posted a net loss attributable to owners of the parent totaling ¥143 million, compared with net loss attributable to owners of the parent totaling ¥837 million in the same period of the previous fiscal year.

## **(2) Financial Condition**

### **Total Assets**

As of June 30, 2020, total assets stood at ¥140,949 million, up ¥5,252 million (3.9%) from the end of the previous fiscal year. Key positive factors contributing to total assets were a ¥7,153 million increase in cash and deposits, a ¥2,943 million increase in inventories, a ¥654 million increase in property, plant and equipment—other and a ¥498 million increase in investments and other assets. Key negative factors affecting total assets included a ¥4,284 million decrease in short-term investment securities and a ¥2,009 million decrease in notes and accounts receivable—trade.

### **Liabilities and Net Assets**

Liabilities as of June 30, 2020 were ¥43,244 million, up ¥5,526 million (14.7%) from the end of the previous fiscal year. The key contributors to this increase included a ¥7,878 million increase in short-term loans payable. Key negative factors impacting liabilities were a ¥1,319 million decrease in electronically recorded monetary obligations, a ¥972 million decrease in notes and accounts payable—trade and a ¥550 million decrease in other provisions.

Net assets totaled ¥97,705 million, down ¥274 million (0.3%) from the end of the previous fiscal year. Primary factors leading to this decrease included a ¥705 million decrease in retained earnings. Primary positive factors contributing to net assets included a ¥315 million increase in valuation difference on available-for-sale securities.

### **Equity Ratio**

The equity ratio as of June 30, 2020 stood at 69.3%, down 2.9 percentage points from 72.2% at the end of the previous fiscal year.

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

As for consolidated operating results for the fiscal year ending March 31, 2021, Komori has yet to formulate its forecasts due to current difficulties in reasonably estimating its future operating results. When this becomes possible, the Company will promptly disclose its forecast to stakeholders.

## 2. CONSOLIDATED FINANCIAL STATEMENTS

### (1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2020	Fiscal 2021
	(March 31, 2020)	(June 30, 2020)
<b>(ASSETS)</b>		
<b>Current Assets:</b>		
Cash and deposits	27,403	34,557
Notes and accounts receivable	15,823	13,814
Electronically recorded monetary claims	2,416	2,655
Short-term investment securities	12,821	8,536
Merchandise and finished goods	17,923	20,664
Work in process	10,481	9,834
Raw materials and supplies	7,959	8,807
Other	3,431	3,536
Allowance for doubtful accounts	(334)	(423)
Total current assets	97,926	101,984
<b>Noncurrent Assets:</b>		
Property, plant and equipment		
Land	8,091	8,360
Other, net	7,558	8,213
Total property, plant and equipment	15,650	16,573
Intangible assets		
Goodwill	3,259	3,041
Other	1,724	1,714
Total intangible assets	4,983	4,756
Investments and other assets	17,136	17,634
Total noncurrent assets	37,771	38,965
<b>Total Assets</b>	<b>135,697</b>	<b>140,949</b>

**(1) Consolidated Balance Sheets**

	(In millions of yen)	
	Fiscal 2020	Fiscal 2021
	(March 31, 2020)	(June 30, 2020)
<b>(LIABILITIES)</b>		
<b>Current Liabilities:</b>		
Notes and accounts payable	5,826	4,853
Electronically recorded obligations	10,478	9,159
Short-term loans payable	34	7,913
Income taxes payable	329	287
Provision for loss on guarantees	112	104
Other provision	1,698	1,148
Other	14,312	14,447
Total current liabilities	32,792	37,913
<b>Noncurrent Liabilities:</b>		
Long-term loans payable	-	119
Net defined benefit liability	2,780	2,892
Provision	194	192
Other	1,950	2,126
Total noncurrent liabilities	4,925	5,330
<b>Total Liabilities</b>	<b>37,717</b>	<b>43,244</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' Equity:</b>		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	26,040	25,335
Treasury stock	(2,736)	(2,736)
Total shareholders' equity	98,807	98,102
<b>Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	1,756	2,071
Foreign currency translation adjustment	(1,313)	(1,259)
Remeasurements of defined benefit plans	(1,337)	(1,271)
Total other comprehensive income	(895)	(459)
<b>Non-controlling interests</b>	<b>67</b>	<b>62</b>
<b>Total Net Assets</b>	<b>97,979</b>	<b>97,705</b>
<b>Total Liabilities and Net Assets</b>	<b>135,697</b>	<b>140,949</b>



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

For the three months ended June 30, 2020 and 2019

	(In millions of yen)	
	Fiscal 2020	Fiscal 2021
	(April 1, 2019 to June 30, 2019)	(April 1, 2020 to June 30, 2020)
<b>Net Sales</b>	17,662	13,660
<b>Cost of Sales</b>	12,383	9,707
Reversal of unrealized income on installment sales	0	-
Gross profit	5,279	3,953
<b>Selling, General and Administrative Expenses</b>	6,209	4,874
Operating loss	(929)	(921)
<b>Non-Operating Income</b>		
Interest income	22	11
Dividends income	136	112
Other	93	114
Total non-operating income	252	237
<b>Non-Operating Expenses</b>		
Interest expenses	1	1
Foreign exchange losses	312	8
Provision of allowance for doubtful accounts	-	75
Other	38	32
Total non-operating expenses	352	117
Ordinary loss	(1,028)	(802)
<b>Extraordinary Income</b>		
Gain on bargain purchase	-	644
Total extraordinary income	-	644
<b>Extraordinary Loss</b>		
Loss on retirement of noncurrent assets	0	0
Total extraordinary loss	0	0
Loss before income taxes	(1,029)	(157)
Income taxes-current	54	45
Income taxes-deferred	(258)	(54)
Total income taxes	(203)	(8)
<b>Loss</b>	(825)	(148)
<b>Profit (loss) attributable to non-controlling interests</b>	11	(5)
<b>Loss attributable to owners of parent</b>	(837)	(143)

**Consolidated Statements of Comprehensive Income**

For the three months ended June 30, 2020 and 2019

(In millions of yen)

	Fiscal 2020	Fiscal 2021
	(April 1, 2019 to June 30, 2019)	(April 1, 2020 to June 30, 2020)
<b>Loss</b>	(825)	(148)
Other comprehensive income		
Valuation difference on available-for-sale securities	(346)	315
Foreign currency translation adjustment	(381)	54
Remeasurements of defined benefit plans, net of tax	25	66
Total other comprehensive income	(701)	436
<b>Comprehensive Income (Loss)</b>	<b>(1,527)</b>	<b>287</b>
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	(1,537)	292
Comprehensive income (loss) attributable to non-controlling interests	9	(5)

**(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

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

**(Significant Change in the Scope of Consolidation)**

The Company acquired 100% of the shares in Maschinenbau Oppenweiler Binder GmbH & Co. KG, the main company of the Germany-based MBO Group, through Komori Germany GmbH, which is a newly established subsidiary. Reflecting this, Komori included the acquired company and its six subsidiaries into the scope of consolidation from the first quarter of the fiscal year under review.

In conjunction with this acquisition, the acquired company was merged into Komori Germany GmbH. The resulting company was renamed MBO Postpress Solutions GmbH and is a consolidated subsidiary of Komori.

**(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	Maschinenbau Oppenweiler Binder GmbH & Co. KG
Main business	Manufacture and sales of post-press equipment and expendables as well as the provision of relevant services

(2) Reasons for undertaking business combination

Maschinenbau Oppenweiler Binder is the main company of the Germany-based MBO Group. The MBO Group engages in the manufacture and sale of paper folding machines, a type of machinery that performs an important post-press process. In the course of operations in this field for more than a half century, the MBO Group successfully commands a considerable market share in Europe and elsewhere. Moreover, the MBO Group maintains collaboration with a variety of sales partners in regions worldwide and is currently engaged in the global marketing of paper folding machines and the provision of after-sales services in more than 60 countries.

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Products manufactured by the MBO Group are known for highly precise performance and superior productivity. The group is also distinguished by its technological capabilities in multiple fields, including paper folding for general commercial printing, inline processing employing a combination of paper folding machines and digital printing systems (DPS) and a complex folding process that handles thin paper and requires specialized technology. In recent years, the MBO Group also launched collaboration with robot makers, resulting in the creation of labor-saving systems as part of the MBO Group product lineup.

Through the acquisition of the equity stake in the MBO Group, Komori expects to be able to market unique products that will support the PESP business approach the Company is currently promoting. Specifically, the inclusion of the aforementioned operations into Komori's business portfolio will help it introduce post-press solutions for commercial printing, a new field for the Company. When coupled with KP-Connect and other IoT-based cloud solutions Komori is marketing on a global basis, the MBO Group's products will also help provide customers with even more robust, seamless printing production systems that include post-press processing. Komori is also looking to develop new solutions through the combination of the MBO Group's technologies and Komori's DPS, offset printing presses and other key products.

(3) Date of business combination

April 30, 2020

(4) Legal form of business combination

Purchase of shares in exchange for cash

(5) Name of the acquired company after business combination

MBO Postpress Solutions GmbH

(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 quarterly consolidated financial statements

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The acquired company's operating results are not included as Komori reflected its consolidated operating results only in the Consolidated Balance Sheet in financial reporting for the first quarter of the fiscal year under review.

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 gains on negative goodwill recorded and reasons for recording gains on negative goodwill

(1) Amount of gains on negative goodwill recorded

¥644 million (based on provisional estimate)

(2) Reasons for recording gains on negative goodwill

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

**(Additional Information)**

**Assumptions Used as a Basis for Projections regarding the Impact of the Novel Coronavirus Pandemic**

As of June 30, 2020, Komori has not revised assumptions it used as a basis for projections regarding the impact of the novel coronavirus pandemic in compiling its *Yuka Shoken Hokokusho* for the previous fiscal year. However, the Company will continue to pay close attention to the situation as developments in the pandemic may materially impact its operating results.