

Consolidated Business Results for the Six Months Ended September 30, 2020 **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

October 27, 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 Second Quarter (April 1, 2020 to September 30, 2020)

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

	Six months ended September 30, 2020	%	Six months ended September 30, 2019	%
Net sales	33,910	(17.4)	41,068	2.1
Operating income (loss)	(1,119)	-	(341)	-
Ordinary income (loss)	(665)	-	(676)	-
Profit (loss) attributable to owners of parent	(219)	-	(968)	-

(Yen)

Basic earnings (loss) per share	(3.93)	(16.95)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Six months ended September 30, 2020: 341 million yen - %
Six months ended September 30, 2019: (1,410) 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)

	September 30, 2020	March 31, 2020
Total assets	139,126	135,697
Total net assets	97,755	97,979
Equity ratio (%)	70.2	72.2

Reference:

Equity as of: September 30, 2020: 97,693 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	10.00	-
Third quarter period-end dividends	-	-	-
Year-end dividends	10.00	-	10.00
Annual cash dividends	30.00	-	20.00

Note: Revision to the latest dividend forecast announced in May 2020: Yes

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

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

(In millions of yen, rounded down)

	Fiscal year ending March 31, 2021	%
Net sales	71,000	(8.6)
Operating income (loss)	(2,600)	-
Ordinary income (loss)	(1,900)	-
Profit (loss) attributable to owners of parent	(2,100)	-
(Yen)		
Basic earnings (loss) per share	(37.55)	

Notes:

1. Revision to the latest forecast of consolidated business results announced in May 2020: Yes
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:

September 30, 2020:	58,292,340 shares
March 31, 2020:	58,292,340 shares
2. Number of treasury shares as of:

September 30, 2020:	2,368,106 shares
March 31, 2020:	2,368,005 shares
3. Average number of shares during the period

Six months ended September 30, 2020:	55,924,276 shares
Six months ended September 30, 2019:	57,168,980 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 November 4, 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/>

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

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1. Qualitative Information Regarding the Quarterly Financial Results

(1) Overview of Consolidated Business Results

Consolidated net sales during the first six months of the fiscal year under review amounted to ¥33,910 million, representing a 17.4% decrease from the same period of the previous fiscal year, due to the ongoing fallout from the novel coronavirus (hereinafter “COVID-19”) 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)

		Six Months Ended September 30, 2019	Six Months Ended September 30, 2020	Increase / (Decrease) (%)
Net sales		41,068	33,910	(17.4%)
Breakdown	Japan	16,201	16,227	0.2%
	North America	3,118	1,442	(53.7%)
	Europe	6,167	5,810	(5.8%)
	Greater China	7,389	5,419	(26.7%)
	Other Regions	8,190	5,009	(38.8%)

Domestic Sales

In the domestic market, printing companies remained cautious toward making capital expenditures as the overall volume of printed materials declined due to repercussions of the COVID-19 pandemic, including the suspension of events, shrinkage of marketing activities and a major decrease in consumption associated with inbound tourism. This trend caused sales of sheet-fed offset printing presses to decrease from the same period of the previous fiscal year. However, thanks mainly to demand associated with facility upgrades, sales of web offset presses and security printing presses were up year on year. Moreover, sales of the printed electronics (PE) business grew from the same period of the previous fiscal year, reflecting improving market conditions. Consequentially, domestic sales edged up 0.2% year on year to ¥16,227 million.

North America

In North America, economic activities have gradually resumed from mid-May 2020 onward. However, despite some signs of recovery, the spread of COVID-19 is still ongoing. Reflecting these factors, net sales in this region decreased 53.7% from the same period of the previous fiscal year to ¥1,442 million.

Europe

In Europe, the Komori Group included the MBO Group, which manufactures and sells post-press machinery, into the scope of consolidation in April 2020. Accordingly, the latter's business results are factored into consolidated operating results from the first quarter of the fiscal year under review. In the region, economic activities have gradually resumed from mid-May 2020 after the first outbreak of COVID-19. However, many European countries are currently confronted by resurgences from mid-July onward. As a result, overall net sales in this region declined 5.8% year on year to ¥5,810 million.

Greater China

In Greater China, economic activities resumed earlier than other regions. Reflecting this, the economies were reinstated on a recovery track. Nevertheless, net sales in this region decreased 26.7% year on year to ¥5,419 million.

Other Regions

In Other Regions, which include ASEAN, India and Oceania as well as Central and South America, sales in India fell sharply due to the lingering impact of the COVID-19 pandemic, while sales in other markets stagnated. As a result, overall net sales in Other Regions dropped 38.8% year on year to ¥5,009 million.

In the second quarter of the fiscal year under review, Komori announced the release of "advance" series in its mainstay offset printing press business. In developing this series, Komori focused on creating a solution capable of helping customers enhance ROI. In particular, LITHRONE GX/G advance models are easy to operate and boast superior productivity and higher printing quality. Compared with conventional models, these new models thus offer a significant improvement in ROI and, therefore, are expected to become an integral part of printing business operations in the future generation. Looking ahead, Komori intends to expand the lineup of "advance" models.

Turning to expenses, the cost of sales ratio increased year on year due to such factors as lower production volume and a sales mix variance. On the other hand, selling, general and administrative (SG&A) expenses were ¥10,666 million, down from ¥12,945 million in the same period of the previous fiscal year, due mainly to reduction in shipping and travel expenses under the influence of the COVID-19 pandemic as well as the effect of emergency measures to reinforce the Company's business revenue structure, which aimed to improve profitability and curb such costs as personnel expenses. However, Komori posted operating loss of ¥1,119 million, compared with operating loss of ¥341 million in the same period of the previous fiscal year, reflecting the decrease in net sales and the increase in the cost of sales ratio.

The Company posted an ordinary loss of ¥665 million, a slight improvement from an ordinary loss of ¥676 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 six months of the fiscal year under review, the Company recorded a loss before income taxes of ¥105 million, a decrease from a loss before income taxes of ¥676 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 ¥219 million, compared with net loss attributable to owners of the parent totaling ¥968 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of September 30, 2020, total assets stood at ¥139,126 million, up ¥3,428 million (2.5%) from the end of the previous fiscal year. Key positive factors contributing to total assets were a ¥9,494 million increase in cash and deposits, a ¥1,015 million increase in notes and accounts receivable—trade, a ¥865 million increase in property, plant and equipment—other and a ¥385 million increase in investments and other assets. Key negative factors affecting total assets included a ¥4,495 million decrease in short-term investment securities, a ¥1,655 million decrease in inventories and a ¥1,008 million decrease in current assets—other.

Liabilities and Net Assets

Liabilities as of September 30, 2020 were ¥41,371 million, up ¥3,653 million (9.7%) from the end of the previous fiscal year. The key contributors to this increase included a ¥10,320 million increase in short-term loans payable. Key negative factors impacting liabilities were a ¥4,462 million decrease in electronically recorded monetary obligations, a ¥1,433 million decrease in notes and accounts payable—trade and a ¥1,430 million decrease in advances received.

Net assets totaled ¥97,755 million, down ¥224 million (0.2%) from the end of the previous fiscal year. Primary factors leading to this decrease included a ¥900 million decrease in retained earnings. Primary positive factors contributing to net assets included a ¥294 million increase in valuation difference on available-for-sale securities.

Equity Ratio

The equity ratio as of September 30, 2020 stood at 70.2%, down 2.0 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

With regard to consolidated operating results for the fiscal year ending March 31, 2021, Komori had previously refrained from announcing its performance and dividend forecasts as it had been difficult to reasonably estimate the impact of the COVID-19 pandemic on the Komori Group's business operations. However, as Komori is now enabled to make

such an estimate based on information currently available and its projections on business performance, the Company has decided to disclose forecasts for consolidated operating results and dividends.

For more detail, please refer to the press release titled “Komori Corporation Announces the Payment of Interim Dividends and Discloses Its Forecasts for Full-Year Operating Results and Year-End Dividends for the Fiscal Year Ending March 31, 2021” and dated on October 27, 2020.

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

	(In millions of yen)	
	Fiscal 2020	Fiscal 2021
	(March 31, 2020)	(September 30, 2020)
(ASSETS)		
Current Assets:		
Cash and deposits	27,403	36,898
Notes and accounts receivable	15,823	16,839
Electronically recorded monetary claims	2,416	1,545
Short-term investment securities	12,821	8,325
Merchandise and finished goods	17,923	15,925
Work in process	10,481	10,238
Raw materials and supplies	7,959	8,543
Other	3,431	2,423
Allowance for doubtful accounts	(334)	(433)
Total current assets	97,926	100,306
Noncurrent Assets:		
Property, plant and equipment		
Land	8,091	8,451
Other, net	7,558	8,424
Total property, plant and equipment	15,650	16,875
Intangible assets		
Goodwill	3,259	2,775
Other	1,724	1,646
Total intangible assets	4,983	4,421
Investments and other assets	17,136	17,522
Total noncurrent assets	37,771	38,820
Total Assets	135,697	139,126

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

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2020 (March 31, 2020)	Fiscal 2021 (September 30, 2020)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	5,826	4,392
Electronically recorded obligations	10,478	6,016
Short-term loans payable	34	10,355
Income taxes payable	329	505
Provision for loss on guarantees	112	111
Advances received	8,737	7,306
Other provision	1,698	1,654
Other	5,574	5,589
Total current liabilities	32,792	35,932
Noncurrent Liabilities:		
Long-term loans payable	—	252
Net defined benefit liability	2,780	2,864
Provision	194	78
Other	1,950	2,244
Total noncurrent liabilities	4,925	5,438
Total Liabilities	37,717	41,371
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	26,040	25,140
Treasury stock	(2,736)	(2,620)
Total shareholders' equity	98,807	98,023
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	1,756	2,050
Foreign currency translation adjustment	(1,313)	(1,194)
Remeasurements of defined benefit plans	(1,337)	(1,185)
Total other comprehensive income	(895)	(329)
Non-controlling interests	67	61
Total Net Assets	97,979	97,755
Total Liabilities and Net Assets	135,697	139,126

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

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

For the six months ended September 30, 2020 and 2019

(In millions of yen)

	Fiscal 2020 (April 1, 2019 to September 30, 2019)	Fiscal 2021 (April 1, 2020 to September 30, 2020)
Net Sales	41,068	33,910
Cost of Sales	28,465	24,363
Reversal of unrealized income on installment sales	0	-
Gross profit	12,603	9,546
Selling, General and Administrative Expenses	12,945	10,666
Operating loss	(341)	(1,119)
Non-Operating Income		
Interest income	44	21
Dividends income	158	137
Subsidy income	-	156
Reversal of provision for loss on litigation	-	110
Other	200	176
Total non-operating income	403	601
Non-Operating Expenses		
Interest expenses	2	15
Foreign exchange losses	598	7
Provision of allowance for doubtful accounts	-	76
Other	136	46
Total non-operating expenses	737	147
Ordinary loss	(676)	(665)
Extraordinary Income		
Gain on sales of noncurrent assets	0	-
Gain on bargain purchase	-	637
Total extraordinary income	0	637
Extraordinary Loss		
Loss on sales of noncurrent assets	0	-
Loss on retirement of noncurrent assets	0	0
Loss on valuation of investment securities	-	77
Total extraordinary loss	1	78
Loss before income taxes	(676)	(105)
Income taxes-current	114	195
Income taxes-deferred	174	(75)
Total income taxes	288	120
Loss	(965)	(225)
Profit (loss) attributable to non-controlling interests	3	(5)
Loss attributable to owners of parent	(968)	(219)

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

Consolidated Statements of Comprehensive Income

For the six months ended September 30, 2020 and 2019

(In millions of yen)

	Fiscal 2020	Fiscal 2021
	(April 1, 2019 to September 30, 2019)	(April 1, 2020 to September 30, 2020)
Loss	(965)	(225)
Other comprehensive income		
Valuation difference on available-for-sale securities	53	294
Foreign currency translation adjustment	(543)	119
Remeasurements of defined benefit plans, net of tax	45	152
Total other comprehensive income	(445)	566
Comprehensive Income (Loss)	(1,410)	341
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	(1,410)	346
Comprehensive income (loss) attributable to non-controlling interests	0	(5)

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

**(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.

(Additional Information)

1. Assumptions Used as a Basis for Projections regarding the Impact of the COVID-19 Pandemic

With regard to the impact of the COVID-19 pandemic, the Komori Group determined that fallout from the pandemic largely peaked in the first quarter of the fiscal year under review, but also assumes that it will persist throughout the fiscal year. The Group's estimate on financial results is based on these assumptions, which have not been revised significantly from the end of the previous fiscal year.

In addition, the COVID-19 pandemic's economic impact is believed to remain highly volatile. Accordingly, should the circumstances evolve going forward, the Group's financial position and business performance could be negatively affected.

2. Introduction of a Performance-Based Share Compensation Plan Employing a Board Benefit Trust

Based on a resolution at the 74th Annual General Meeting of Shareholders held on June 26, 2020, Komori introduced a performance-based share compensation plan (hereinafter the "plan") that employs a Board Benefit Trust to reward the Company's executive directors. Details follow.

(1) Overview of the Plan

The introduction of the plan entails the establishment of the Board Benefit Trust (hereinafter the “BBT”), which acquires Komori shares via funding from the Company. In accordance with Komori’s rules on share compensation for directors, the Company will provide executive directors with the shares through the BBT based on individual and corporate achievements in addition to delivering cash compensation equivalent to the fair value of a portion of the shares to be granted to them.

In general, the executive directors are eligible to receive share compensation only when they have stepped aside from executive director positions.

(2) Status of Komori Shares Held by the BBT

Komori recorded the value of its shares held by the BBT as treasury stock under net assets (on a basis of the book value determined by the BBT; excluding peripheral expenses). As of September 30, 2020, the number of these shares stands at 252,000, with their book value totaling ¥175 million.

(Important Subsequent Events)

Komori executed the second round of issuance of unsecured corporate bonds on October 12, 2020 based on a resolution passed at its Board of Directors meeting held on August 27, 2020 and conditions the Board determined on October 6, 2020. An overview of the issuance follows.

(1) Total issuance amount	¥10,000 million
(2) Par value	¥100 per ¥100 corporate bond unit
(3) Annual interest rate	0.400%
(4) Redemption date	October 10, 2025
(5) Redemption method	Lump-sum redemption at maturity
(6) Payment date for purchasers	October 12, 2020
(7) Usage of the proceeds from the issuance	Repayment of loans/working capital