Consolidated Business Results for the Three Months Ended June 30, 2021
REPORTED BY KOMORI CORPORATION (Japanese GAAP)

July 30 2021

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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, 2021 to June 30, 2021)

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

	Three months ended June 30, 2021	%	Three months ended June 30, 2020	%
Net sales	18,630	36.4	13,660	(22.7)
Operating income (loss)	(418)	-	(921)	-
Ordinary income (loss)	(128)	-	(802)	-
Profit (loss) attributable to owners of parent	(92)	-	(143)	-

(Yen)

Basic earnings (loss) per share	(1.65)	(2.57)
Diluted earnings per share	-	-

Notes:
1. Comprehensive income (loss):
Three months ended June 30, 2021: 207 million yen (27.7) %
Three months ended June 30, 2020: 287 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, 2021	March 31, 2021
Total assets	146,284	144,443
Total net assets	97,308	97,736
Equity ratio (%)	66.5	67.6

Reference:
Equity as of: June 30, 2021: 97,250 million yen
March 31, 2021: 97,673 million yen

2. Dividends

(Yen)

	Fiscal year ended March 31, 2021	Fiscal year ending March 31, 2022	Fiscal year ending March 31, 2022 (Forecast)
Cash dividends per share			
First quarter period-end dividends	-	-	-
Second quarter period-end dividends	10.00	-	10.00
Third quarter period-end dividends	-	-	-
Year-end dividends	10.00	-	10.00
Annual cash dividends	20.00	-	20.00

Notes:
Revision to the latest dividend forecast announced in May 2021: None

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

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(In millions of yen, rounded down)

	Six months ending September 30, 2020	%	Fiscal year ending March 31, 2021	%
Net sales	42,000	23.9	90,000	25.3
Operating income	300	-	1,900	-
Ordinary income	0	-	1,700	-
Profit attributable to owners of parent	2,800	-	4,300	-
		(Yen)		(Yen)
Basic earnings per share	50.07		76.89	

Notes:
1. Revision to the latest forecast of consolidated business results announced in June 2021: 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:	Yes
2. Changes other than those in item 1. above:	None
3. Changes in accounting estimates:	Yes
4. Restatements:	None

(4) Number of shares outstanding (common stock)

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

June 30, 2021:	58,292,340 shares
March 31, 2021:	58,292,340 shares

2. Number of treasury shares as of:

June 30, 2021:	2,368,359 shares
March 31, 2021:	2,368,339 shares

3. Average number of shares during the period

Three months ended June 30, 2021:	55,923,991 shares
Three months ended June 30, 2020:	55,924,296 shares

* This quarterly financial flash report (KESSAN TANSHIN) 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 4, 2021. 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 ¥18,630 million, representing a 36.4% increase from the same period of the previous fiscal year, with economic stimulus packages and other government-led measures aimed at countering fallout from the novel coronavirus (hereinafter “COVID-19”) pandemic bringing the global economy back to a recovery track. 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, 2020	Three Months Ended June 30, 2021	Increase / (Decrease) (%)
Net sales		13,660	18,630	36.4
Breakdown	Japan	6,082	4,533	(25.5)
	North America	476	1,273	167.1
	Europe	1,994	5,786	190.1
	Greater China	2,353	4,798	103.9
	Other Regions	2,753	2,239	(18.7)

Domestic Sales

In the domestic market, despite the higher volume of orders received for sheet-fed offset presses compared with the same period of the previous fiscal year, overall net sales were down year on year, suggesting that market demand has yet to fully recover. Also, sales of web offset presses and post-press processing equipment decreased, while Komori revised methods for recognizing revenues from export sales associated with the printed electronics (PE) business, which were robust in the same period of the previous fiscal year, and decided to record such revenues when its service obligations were fulfilled. Consequentially, domestic sales decreased 25.5% year on year to ¥4,533 million.

North America

Net sales in this region grew 167.1% year on year to ¥1,273 million, with economic stimulus packages released in the previous fiscal year to support post-pandemic economies resulting in the robust volume of orders received in the fourth quarter of said fiscal year and enabling Komori to achieve solid performance in the first quarter of the fiscal year under review.

Europe

In Europe, economic activities have similarly been brought back to normal thanks to progress in vaccination, supporting Komori's business performance in the region and causing it to achieve significant 190.1% growth in net sales that rose to ¥5,786 million. In addition, operating results of the MBO Group, which manufactures and markets post-press processing equipment, have only been included in the scope of consolidation since the second quarter of the previous fiscal year. As its sales were not included in the same period of the previous fiscal year, their inclusion in Komori's consolidated net sales in the first quarter of the fiscal year under review served as yet another factor supporting year-on-year sales growth.

Greater China

In Greater China, the economy has continued to grow firmly. Komori was able to see constantly strong demand when it participated in an exhibition held in Beijing in June 2021. Also reflecting the higher volume of orders received in the fourth quarter of the previous fiscal year, overall net sales in this region rose 103.9% year on year to ¥4,798 million.

Other Regions

Other Regions include ASEAN, India and Oceania as well as Central and South America. In India, sales of offset printing presses declined from the same period of the previous fiscal year due to the lingering impact of the COVID-19 pandemic. However, sales of these presses grew in regions other than India. On the other hand, sales of security printing presses in Other Regions were down year on year, reflecting delays in installation plans due to the impact of the COVID-19 pandemic. As a result, overall net sales in Other Regions dropped 18.7% year on year to ¥2,239 million.

Turning to expenses, the cost of sales ratio decreased year on year due to such factors as higher production volume and changes in foreign exchange rates. On the other hand, selling, general and administrative (SG&A) expenses grew from the same period of the previous fiscal year. This was due mainly to growth in shipping and other expenses in step with growth in net sales as well as the consolidation of expenses recorded by the MBO Group in the first quarter of the fiscal year review, which had not yet been included in the same period of the previous fiscal year. Taking these factors into account, Komori posted operating loss of ¥418 million, compared with operating loss of ¥921 million in the same period of the previous fiscal year.

The Company posted an ordinary loss of ¥128 million, an improvement from an ordinary loss of ¥802 million in the same period of the previous fiscal year, thanks in part to improving foreign exchange rates and the resulting foreign exchange gains.

For the first three months of the fiscal year under review, the Company recorded income before income taxes of ¥224 million, a turnaround from a loss before income taxes of ¥157 million in the same period of the previous fiscal year, due mainly to proceeds from sales of noncurrent assets, despite a loss on valuation of investment securities. As a result, Komori posted a net loss attributable to owners of the parent totaling ¥92 million, compared with net loss attributable to owners of the parent totaling ¥143 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of June 30, 2021, total assets stood at ¥146,284 million, up ¥1,841 million (1.3%) from the end of the previous fiscal year. Key factors increasing total assets were a ¥3,245 million net increase in securities and a ¥2,183 million increase in inventories. Key factors decreasing total assets included a ¥2,466 million decrease in cash and deposits.

Liabilities and Net Assets

Liabilities as of June 30, 2021 were ¥48,975 million, up ¥2,268 million (4.9%) from the end of the previous fiscal year. The key contributors to this increase included a ¥1,957 million increase in current liabilities—other and a ¥1,425 million increase in electronically recorded monetary obligations. Key factors reducing liabilities included a ¥626 million decrease in short-term loans payable.

Net assets totaled ¥97,308 million, down ¥427 million (0.4%) from the end of the previous fiscal year. Key negative factors included a ¥727 million decrease in retained earnings due to the recording of net loss attributable to owners of the parent, the payment of cash dividends, and other factors. Primary positive factors contributing to net assets included a ¥197 million increase in valuation difference on available-for-sale securities.

Equity Ratio

The equity ratio as of June 30, 2021 stood at 66.5%, down 1.1 percentage points from 67.6% at the end of the previous fiscal year.

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

The Company has not revised its previous forecasts disclosed as of June 11, 2021 on the full-year operating results for the fiscal year ending March 31, 2022.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2021 (March 31, 2021)	Fiscal 2022 (June 30, 2021)
(ASSETS)		
Current Assets:		
Cash and deposits	46,875	44,408
Notes and accounts receivable	14,662	-
Notes and accounts receivable - trade, and contract asset	-	12,418
Electronically recorded monetary claims	1,259	1,815
Short-term investment securities	8,511	11,756
Merchandise and finished goods	13,837	14,620
Work in process	9,987	11,541
Raw materials and supplies	7,949	7,796
Other	2,652	3,531
Allowance for doubtful accounts	(430)	(420)
Total current assets	105,304	107,469
Noncurrent Assets:		
Property, plant and equipment		
Land	8,641	8,441
Other, net	7,649	7,738
Total property, plant and equipment	16,290	16,180
Intangible assets		
Goodwill	2,709	2,567
Other	1,810	1,702
Total intangible assets	4,520	4,269
Investments and other assets	18,327	18,365
Total noncurrent assets	39,138	38,815
Total Assets	144,443	146,284

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2021 (March 31, 2021)	Fiscal 2022 (June 30, 2021)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	5,826	6,010
Electronically recorded obligations	6,677	8,103
Short-term loans payable	873	246
Income taxes payable	436	322
Provision for loss on guarantees	101	98
Other provision	1,703	1,195
Other	15,997	17,954
Total current liabilities	31,615	33,930
Noncurrent Liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	439	403
Net defined benefit liability	2,030	1,994
Provision	67	65
Other	2,553	2,582
Total noncurrent liabilities	15,091	15,045
Total Liabilities	46,707	48,975
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	22,735	22,008
Treasury stock	(2,621)	(2,621)
Total shareholders' equity	95,618	94,890
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,087	3,284
Foreign currency translation adjustment	(345)	(274)
Remeasurements of defined benefit plans	(685)	(650)
Total other comprehensive income	2,055	2,359
Non-controlling interests	62	58
Total Net Assets	97,736	97,308
Total Liabilities and Net Assets	144,443	146,284

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

For the three months ended June 30, 2021 and 2020

(In millions of yen)

	Fiscal 2021 (April 1, 2020 to June 30, 2020)	Fiscal 2022 (April 1, 2021 to June 30, 2021)
Net Sales	13,660	18,630
Cost of Sales	9,707	12,573
Gross profit	3,953	6,057
Selling, General and Administrative Expenses	4,874	6,476
Operating loss	(921)	(418)
Non-Operating Income		
Interest income	11	10
Dividends income	112	118
Foreign exchange gains	-	92
Other	114	114
Total non-operating income	237	336
Non-Operating Expenses		
Interest expenses	1	15
Foreign exchange losses	8	-
Provision of allowance for doubtful accounts	75	-
Other	32	29
Total non-operating expenses	117	45
Ordinary loss	(802)	(128)
Extraordinary Income		
Gain on sale of non-current assets	−	511
Gain on bargain purchase	644	-
Total extraordinary income	644	511
Extraordinary Loss		
Loss on sale of non-current assets	−	0
Loss on retirement of noncurrent assets	0	13
Loss on valuation of investment securities	-	104
Other	-	40
Total extraordinary loss	0	158
Profit (loss) before income taxes	(157)	224
Income taxes-current	45	262
Income taxes-deferred	(54)	57
Total income taxes	(8)	320
Loss	(148)	(95)
Loss attributable to non-controlling interests	(5)	(3)
Loss attributable to owners of parent	(143)	(92)

Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2021 and 2020

(In millions of yen)

	Fiscal 2021 (April 1, 2020 to June 30, 2020)	Fiscal 2022 (April 1, 2021 to June 30, 2021)
Loss	(148)	(95)
Other comprehensive income		
Valuation difference on available-for-sale securities	315	197
Foreign currency translation adjustment	54	70
Remeasurements of defined benefit plans, net of tax	66	35
Total other comprehensive income	436	303
Comprehensive Income	287	207
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	292	211
Comprehensive income (loss) attributable to non-controlling interests	(5)	(4)

(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

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

Komori adopted Accounting Standard for Revenue Recognition (ASBJ Statement No. 29: March 31, 2020) from the beginning of the first quarter of the fiscal year under review. Accordingly, the Company recognizes revenues as the amount expected to be received in exchange for promised goods or services at the time when the control of said goods or services is transferred to the customer.

Reflecting the adoption of this standard, Komori revised its accounting treatment methods as described below.

(1) Recognition of revenues attributable to security printing press supplier agreements

With regard to revenues attributable to security printing press supplier agreements, the Company had previously used the percentage-of-completion method to recognize revenues associated with certain supplier agreements deemed to have high probability of progress in manufacture and installation while using the complete construction method to recognize revenues from other supplier agreements. Following revision, however, Komori currently recognizes revenues attributable to certain agreements, which meet the prescribed criteria for agreements with performance obligations satisfied over time, during the course of a certain period of time to an extent consistent with estimated progress in the fulfillment of such obligations. Revenues associated with supplier agreements that do not meet such criteria are recognized when accompanying performance obligations are completely fulfilled.

(2) Recognition of revenues attributable to sales agreements with installment payment conditions

The Company had previously recognized revenues attributable to sales agreements with installment payment conditions on the basis of the payment due date. However, Komori revised this practice and currently recognizes such revenues at the time when performance obligations associated with these agreements are completely fulfilled.

(3) Recognition of revenues attributable to agent transactions

In the course of engaging in some purchase-and-sale transactions involving agents, the Company had previously recognized total compensation received from the customer as revenues associated with agent transactions. However, the Company has revised this practice and currently recognizes the net amount received as revenues associated with agent transactions.

(4) Recognition of revenues associated with export sales

With regard to revenues associated with export sales undertaken by some domestic consolidated subsidiaries, the Company had previously recognized such revenues when the exported goods were loaded on the ship. However, the Company revised this practice and currently recognizes such revenues when accompanying performance obligations are completely fulfilled.

Regarding the adoption of the above standard, the Company is following the transitory treatment outlined in Paragraph 84 of the accounting standard. Under said treatment, the cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the first quarter of the fiscal year under review, is reflected in retained earnings at the beginning of the first quarter. The new accounting policy is thus applied to the balance from the beginning of said period.

However, the Company has adopted methods stipulated in Paragraph 86 of Accounting Standard for Revenue Recognition and, therefore, the new accounting policy has not been retrospectively applied to the agreements where accompanying revenues were mostly recognized in accordance with conventional accounting treatments in periods prior to the beginning of the first quarter in the fiscal year under review.

Having adopted methods stipulated in Paragraph 86, Item (1) B of the accounting standard, the Company also took into account revisions of agreements that took place in periods prior to the beginning of the first quarter of the fiscal year under review, and thus adjusted retained earnings at the beginning of the first quarter based on the cumulative effect of accounting treatment in accordance with the terms and conditions enforced by all such agreements after the revisions.

As a result, consolidated net sales for the first quarter decreased ¥393 million, while the cost of sales declined ¥272 million. Moreover, SG&A expenses fell ¥24 million. In addition, operating income, ordinary income and income before income taxes each decreased ¥96 million. The above changes also led to a ¥73 million decrease in retained earnings at the beginning of the first quarter.

Reflecting the adoption of Accounting Standard for Revenue Recognition, notes and accounts receivable—trade, which had been presented under “current assets” until the previous fiscal year, are now included in “notes and accounts receivable—trade and contract assets” in the Company’s consolidated balance sheets for the first quarter of the fiscal year under review. In accordance with transitory treatment outlined in Paragraph 89-2 of the accounting standard, the Company has not reclassified its financial statements for the previous fiscal year.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)
Komori adopted Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30: July 4, 2019) from the beginning of the first quarter of the fiscal year under review. Accordingly, the Company intends to apply the new accounting policy based on Accounting Standard for Fair Value Measurement to its current and future operating results in accordance with transitory treatment outlined in Paragraph 19 of said accounting standard and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10: July 4, 2019). The impact of the above change on Komori's consolidated financial statements for the first quarter of the fiscal year under review is minor.

(Changes in Accounting Estimates)

(Changes in Useful Lives of Noncurrent Assets)
As the Company decided in the first quarter of the fiscal year under review to relocate the Komori Global Parts Center and the Sekiyado Techno Center, it has shortened the useful lives of relevant noncurrent assets that are not expected to be used after relocation. The shortened useful lives coincide with the estimated residual period of use.

The impact of the above change on operating income, ordinary income and income before income taxes for the first quarter of the fiscal year under review is minor.

(Additional Information)

Assumptions Used as a Basis for Projections regarding the Impact of the COVID-19 Pandemic
The Company has not revised its projections discussed in "(Additional Information) Assumptions Used as a Basis for Projections regarding the Impact of the COVID-19 Pandemic" of its Securities Report for the previous fiscal year.