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

October 29, 2021

Company name:	KOMORI CORPORATION
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Securities code:	6349 (Tokyo Stock Exchange)
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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, 2021 to September 30, 2021)

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

	Six months ended September 30, 2021	**%**	**Six months ended September 30, 2020**	**%**
Net sales	40,143	18.4	33,910	(17.4)
Operating income (loss)	509	-	(1,119)	-
Ordinary income (loss)	901	-	(665)	-
Profit (loss) attributable to owners of parent	3,588	-	(219)	-

(Yen)

Basic earnings (loss) per share	64.17	(3.93)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income:
   Six months ended September 30, 2021: 4,045 million yen - %
   Six months ended September 30, 2020: 341 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, 2021	March 31, 2021
Total assets	150,476	144,443
Total net assets	101,146	97,736
Equity ratio (%)	67.2	67.6

Reference:
Equity as of: September 30, 2021: 101,077 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	15.00	-
Third quarter period-end dividends	-	-	-
Year-end dividends	10.00	-	20.00
Annual cash dividends	20.00	-	35.00

Note: Revision to the latest dividend forecast announced in October 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)

	Fiscal year ending March 31, 2022	%
Net sales	88,000	22.5
Operating income	1,000	-
Ordinary income	1,000	-
Profit attributable to owners of parent	3,600	-

(Yen)

Basic earnings per share	64.37

Notes:

1. Revision to the latest forecast of consolidated business results announced in October 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:	
September 30, 2021:	58,292,340 shares
March 31, 2021:	58,292,340 shares
2. Number of treasury shares as of:	
September 30, 2021:	2,368,359 shares
March 31, 2021:	2,368,339 shares
3. Average number of shares during the period	
Six months ended September 30, 2021:	55,923,987 shares
Six months ended September 30, 2020:	55,924,276 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 November 5, 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 six months of the fiscal year under review amounted to ¥40,143 million, representing an 18.4% increase from the same period of the previous fiscal year, with the global economy staying on a recovery track thanks to economic stimulus packages and other government-led measures aimed at countering fallout from the novel coronavirus (hereinafter “COVID-19”) pandemic. 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, 2020	Six Months Ended September 30, 2021	Increase / (Decrease) (%)
Net sales		33,910	40,143	18.4
Breakdown	Japan	16,227	10,476	(35.4)
	North America	1,442	3,787	162.5
	Europe	5,810	9,815	68.9
	Greater China	5,419	11,203	106.7
	Other Regions	5,009	4,860	(3.0)

Domestic Sales

In the domestic market, the volume of orders received in the second quarter for sheet-fed and web offset presses remained higher than the same period of the previous fiscal year. However, due to the lingering impact of pandemic-related market stagnation on the volume of orders received at the beginning of the fiscal year, sales of sheet-fed offset presses for the first six months were down year on year. Moreover, sales of web offset presses declined from the same period of the previous fiscal year, reflecting a recoil from higher demand seen in the previous fiscal year in connection with facility upgrades. On the other hand, the printed electronics (PE) business, which had enjoyed solid results in the previous fiscal year, saw its sales restored by the end of the first six months, after stumbling in the first quarter due to the revision of methods for revenue recognition associated with export sales, to a level equivalent with the same period of the previous fiscal year. Consequentially, domestic sales decreased 35.4% year on year to ¥10,476 million.

North America

The volume of orders received in North America grew year on year as businesses began to take a positive stance toward making capital expenditure due mainly to economic stimulus packages released to support post-pandemic economies. This, in turn, enabled Komori to enjoy continuously robust sales in the second quarter. As a result, net sales in this region grew 162.5% year on year to ¥3,787 million.

Europe

In Europe, economic recovery progressed similarly in step with growth in vaccinated population, with Komori’s sales in this region expanding year on year. 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. In the fiscal year under review, however, its sales were included from the first quarter. Accordingly, their inclusion in Komori’s consolidated net sales served as yet another factor supporting year-on-year sales growth. Furthermore, in the second quarter, sales of the MBO Group’s post-press processing equipment continued to be higher than sales in the same period of the previous fiscal year. Taking these and other factors into account, overall net sales in this region increased 68.9% year on year to ¥9,815 million.

Greater China

In Greater China, the economy has continued to grow firmly. Komori witnessed strong demand when it participated in an exhibition held in Beijing in June 2021. Reflecting this, the volume of orders received in the second quarter remained robust. As a result, overall net sales in this region rose 106.7% year on year to ¥11,203 million.

Other Regions

Other Regions include ASEAN, India and Oceania as well as Central and South America. In ASEAN and India, repercussions of the COVID-19 pandemic tapered off, leading to the gradual normalization of economic activities. Amid these circumstances, the volume of orders received began to recover, while sales, albeit lower than the same period of the previous fiscal year, returned to a recovery track. In addition, although sales of security printing presses in Other Regions have been affected by delays in installation plans due to pandemic-induced movement restrictions, Komori is now catching up gradually on the progress intended in the original plans. As a result, overall net sales in Other Regions amounted to ¥4,860 million, down 3.0% year on year, which still represents an improvement from the sharper year-on-year decline recorded in the first quarter.

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 under review, which had not yet been included in the same period of the previous fiscal year. Taking these factors into account, Komori posted operating income of ¥509 million, compared with operating loss of ¥1,119 million in the same period of the previous fiscal year.

The Company posted an ordinary income of ¥901 million, an improvement from an ordinary loss of ¥665 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 six months of the fiscal year under review, the Company recorded income before income taxes of ¥4,427 million, a turnaround from a loss before income taxes of ¥105 million in the same period of the previous fiscal year. This was due mainly to proceeds from sales of noncurrent assets, a move aimed at promoting operational streamlining via the integration of business bases as part of measures to reinforce the Company’s business revenue structure. As a result, Komori posted profit attributable to owners of the parent totaling ¥3,588 million, compared with net loss attributable to owners of the parent totaling ¥219 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of September 30, 2021, total assets stood at ¥150,476 million, up ¥6,033 million (4.2%) from the end of the previous fiscal year. Key factors increasing total assets were a ¥5,378 million net increase in securities and a ¥2,345 million increase in inventories. Key factors decreasing total assets included a ¥2,875 million decrease in notes and accounts receivable—trade and contract assets (formerly referred to as notes and accounts receivable—trade by the end of the previous fiscal year).

Liabilities and Net Assets

Liabilities as of September 30, 2021 were ¥49,329 million, up ¥2,622 million (5.6%) from the end of the previous fiscal year. The key contributors to this increase included a ¥2,370 million increase in electronically recorded monetary obligations and a ¥790 million increase in notes and accounts payable—trade. Key factors reducing liabilities included a ¥687 million decrease in short-term loans payable.

Net assets totaled ¥101,146 million, up ¥3,410 million (3.5%) from the end of the previous fiscal year. Key positive factors included a ¥2,953 million increase in retained earnings due mainly to the recording of profit attributable to owners of the parent.

Equity Ratio

The equity ratio as of September 30, 2021 stood at 67.2%, down 0.4 of a percentage point from 67.6% at the end of the previous fiscal year.

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

On October 28, 2021, the Company revised its full-year operating results forecasts announced on June 11, 2021 and dividend forecasts announced on May 14, 2021.

Fore more details, please refer to the press release titled “Komori Announces the Revised Forecasts for First-Half and Full-Year Operating Results and Dividends for the Fiscal Year Ending March 31, 2022” dated October 28, 2021.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2021 (March 31, 2021)	Fiscal 2022 (September 30, 2021)
(ASSETS)		
Current Assets:		
Cash and deposits	46,875	48,110
Notes and accounts receivable - trade	14,662	-
Notes and accounts receivable - trade, and contract assets	-	11,787
Electronically recorded monetary claims - operating	1,259	1,297
Short-term investment securities	8,511	13,889
Merchandise and finished goods	13,837	15,082
Work in process	9,987	11,225
Raw materials and supplies	7,949	7,811
Other	2,652	3,317
Allowance for doubtful accounts	(430)	(454)
Total current assets	105,304	112,067
Noncurrent Assets:		
Property, plant and equipment		
Land	8,641	8,220
Other, net	7,649	7,700
Total property, plant and equipment	16,290	15,921
Intangible assets		
Goodwill	2,709	2,472
Other	1,810	1,628
Total intangible assets	4,520	4,101
Investments and other assets	18,327	18,386
Total noncurrent assets	39,138	38,409
Total Assets	144,443	150,476

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

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2021 (March 31, 2021)	Fiscal 2022 (September 30, 2021)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable - trade	5,826	6,616
Electronically recorded obligations - operating	6,677	9,048
Short-term loans payable	873	185
Income taxes payable	436	1,110
Provisions	1,804	1,705
Other	15,997	15,839
Total current liabilities	31,615	34,507
Noncurrent Liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	439	368
Net defined benefit liability	2,030	1,960
Provisions	67	51
Other	2,553	2,443
Total noncurrent liabilities	15,091	14,822
Total Liabilities	46,707	49,329
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	22,735	25,689
Treasury stock	(2,621)	(2,621)
Total shareholders' equity	95,618	98,571
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,087	3,411
Foreign currency translation adjustment	(345)	(291)
Remeasurements of defined benefit plans	(685)	(614)
Total other comprehensive income	2,055	2,505
Non-controlling interests	62	69
Total Net Assets	97,736	101,146
Total Liabilities and Net Assets	144,443	150,476

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

Consolidated Statements of Income

For the six months ended September 30, 2021 and 2020

(In millions of yen)

	Fiscal 2021 (April 1, 2020 to September 30, 2020)	Fiscal 2022 (April 1, 2021 to September 30, 2021)
Net Sales	33,910	40,143
Cost of Sales	24,363	27,100
Gross profit	9,546	13,043
Selling, General and Administrative Expenses	10,666	12,533
Operating income (loss)	(1,119)	509
Non-Operating Income		
Interest income	21	23
Dividends income	137	142
Foreign exchange gains	-	75
Subsidy income	156	25
Other	286	210
Total non-operating income	601	477
Non-Operating Expenses		
Interest expenses	15	28
Foreign exchange losses	7	-
Provision of allowance for doubtful accounts	76	-
Other	46	56
Total non-operating expenses	147	85
Ordinary income (loss)	(665)	901
Extraordinary Income		
Gain on sales of noncurrent assets	-	3,685
Gain on bargain purchase	637	-
Other	-	15
Total extraordinary income	637	3,700
Extraordinary Loss		
Loss on sales of noncurrent assets	-	0
Loss on retirement of noncurrent assets	0	12
Loss on valuation of investment securities	77	104
Other	-	57
Total extraordinary loss	78	174
Profit (loss) before income taxes	(105)	4,427
Income taxes-current	195	908
Income taxes-deferred	(75)	(76)
Total income taxes	120	832
Profit (loss)	(225)	3,595
Profit (loss) attributable to non-controlling interests	(5)	6
Profit (loss) attributable to owners of parent	(219)	3,588

Consolidated Statements of Comprehensive Income

For the six months ended September 30, 2021 and 2020

(In millions of yen)

	Fiscal 2021 (April 1, 2020 to September 30, 2020)	Fiscal 2022 (April 1, 2021 to September 30, 2021)
Profit (loss)	(225)	3,595
Other comprehensive income		
Valuation difference on available-for-sale securities	294	324
Foreign currency translation adjustment	119	54
Remeasurements of defined benefit plans, net of tax	152	71
Total other comprehensive income	566	449
Comprehensive Income	341	4,045
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	346	4,038
Comprehensive income (loss) attributable to non-controlling interests	(5)	6

(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 six months decreased ¥58 million, while the cost of sales declined ¥54 million. Moreover, SG&A expenses fell ¥1 million. In addition, operating income, ordinary income and income before income taxes each decreased ¥2 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 above change had no impact on Komori's consolidated financial statements for the second quarter of the fiscal year under review.

(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.

Reflecting the above change, operating income, ordinary income and income before income taxes for the first six months of the fiscal year under review declined ¥25 million each compared with figures calculated using the conventional methods.

(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.