Consolidated Business Results for the Nine Months Ended December 31, 2021
REPORTED BY KOMORI CORPORATION (Japanese GAAP)

January 27, 2022

Company name:	KOMORI CORPORATION
Representative:	Mr. Satoshi Mochida Representative Director, President and CEO
Securities code:	6349 (Tokyo Stock Exchange)
Contact:	Mr. Koichi Matsuno Director, Operating Officer Phone: (81)-3-5608-7826 URL (https://www.komori.com)

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 Third Quarter (April 1, 2021 to December 31, 2021)

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

	Nine months ended December 31, 2021	**%**	**Nine months ended December 31, 2020**	**%**
Net sales	63,546	23.8	51,315	(8.3)
Operating income (loss)	1,214	-	(1,871)	-
Ordinary income (loss)	1,941	-	(1,377)	-
Profit (loss) attributable to owners of parent	4,364	-	(897)	-

(Yen)

Basic earnings (loss) per share	78.10	(16.05)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income :
   Nine months ended December 31, 2021: 5,386 million yen - %
   Nine months ended December 31, 2020: 165 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)

	December 31, 2021	March 31, 2021
Total assets	152,160	144,443
Total net assets	101,411	97,736
Equity ratio (%)	66.6	67.6

Reference:
Equity as of: December 31, 2021: 101,339 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: No

(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	86,000	19.7
Operating income	1,500	-
Ordinary income	1,800	-
Profit attributable to owners of parent	3,900	-

(Yen)

Basic earnings per share	69.77	

Notes:

1. Revision to the latest forecast of consolidated business results announced in January 2022: 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: No

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: No

(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:	No
3. Changes in accounting estimates:	Yes
4. Restatements:	No

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock) as of:
   - December 31, 2021: 58,292,340 shares
   - March 31, 2021: 58,292,340 shares
2. Number of treasury shares as of:
   - December 31, 2021: 2,696,977 shares
   - March 31, 2021: 2,368,339 shares
3. Average number of shares during the period
   - Nine months ended December 31, 2021: 55,891,115 shares
   - Nine months ended December 31, 2020: 55,924,254 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 February 8, 2022. 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/

Index

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

1. Qualitative Information Regarding the Quarterly Financial Results

(1) Overview of Consolidated Business Results

Consolidated net sales during the first nine months of the fiscal year under review amounted to ¥63,546 million, representing a 23.8% 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)

		Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021	Increase / (Decrease) (%)
Net sales		51,315	63,546	23.8%
Breakdown	Japan	21,959	15,976	(27.2%)
	North America	2,847	5,817	104.3%
	Europe	9,417	15,005	59.3%
	Greater China	9,712	16,324	68.1%
	Other Regions	7,378	10,422	41.3%

Domestic Sales

In the domestic market, the volume of orders received in the third quarter for sheet-fed and web offset presses remained higher than the same period of the previous fiscal year. On the other hand, although quarterly sales recovered to a level on par with a year earlier, net sales for the first nine months fell short of the same period of the previous fiscal year. This was mainly attributable to the delayed timing of revenue recognition, with a large portion of orders received, in excess of results recorded in the same period of the previous fiscal year, set to be recognized in the fourth quarter or later. Other factors reducing sales included the lingering negative impact of the lower volume of orders received at the beginning of the fiscal year due to pandemic-induced market stagnation in the previous fiscal year, and a year-on-year decline in demand for web offset presses due to a recoil from robust demand seen during a year earlier in connection with facility upgrades. In addition, the printed electronics (PE) business, which had enjoyed firm results in the previous fiscal year, recorded a year-on-year decrease in sales despite the ongoing receipt of a solid number of inquiries and the higher volume of orders compared with the same period of the previous fiscal year. This decrease in sales of the PE business resulted from time lags between orders and deliveries, the revision of methods for revenue recognition that took place in the fiscal year under review in connection with export sales, and other factors. Consequentially, domestic sales decreased 27.2% year on year to ¥15,976 million.

North America

The volume of orders received in North America remained constantly above the level recorded in the same period of the previous fiscal year, thanks to post-pandemic economic recovery which, in turn, invigorated demand associated with capital expenditure. As a result, net sales in this region grew 104.3% year on year to ¥5,817 million.

Europe

In Europe, economic recovery progressed similarly in step with growth in vaccinated population. However, although the volume of orders received for sheet-fed offset presses rose from the same period of the previous fiscal year, sales of these presses grew only slightly year on year, due to time lags between orders and deliveries along with the impact of logistics disruption. On the other hand, sales of maintenance parts and package printing presses exceeded sales recorded in the same period of the previous fiscal year on the back of recovery in economic activities. 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. Taking these and other factors into account, overall net sales in this region increased 59.3% year on year to ¥15,005 million.

Greater China

In Greater China, demand for sheet-fed offset presses, which had been on a steady growth track since the second quarter of the previous fiscal year, plateaued in the third quarter of the fiscal year under review due mainly to electricity supply shortages and resurgences of the COVID-19 pandemic. Reflecting this, although sales of these presses exceeded results recorded in the same period of the previous fiscal year, the pace of sales growth decelerated. As a result, overall net sales in this region rose 68.1% year on year to ¥16,324 million.

Other Regions

In Other Regions, which include ASEAN, India and Oceania as well as Central and South America, 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. This trend also buoyed Komori's sales in these regions. Specifically, the Company saw a turnaround in sales of security printing presses and recorded year-on-year sales growth, catching up from delays in installation plans due to pandemic-induced movement restrictions. As a result, overall net sales in Other Regions increased 41.3% year on year to ¥10,422 million.

The cost of sales ratio decreased year on year due to such factors as 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 ¥1,214 million, compared with operating loss of ¥1,871 million in the same period of the previous fiscal year.

The Company posted ordinary income of ¥1,941 million, an improvement from an ordinary loss of ¥1,377 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 nine months of the fiscal year under review, the Company recorded income before income taxes of ¥5,364 million, a turnaround from a loss before income taxes of ¥723 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 ¥4,364 million, compared with net loss attributable to owners of the parent totaling ¥897 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of December 31, 2021, total assets stood at ¥152,160 million, up ¥7,717 million (5.3%) from the end of the previous fiscal year. Key factors increasing total assets were a ¥6,256 million net increase in securities and a ¥1,885 million increase in inventories. Key factors decreasing total assets included a ¥1,530 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 December 31, 2021 were ¥50,749 million, up ¥4,042 million (8.7%) from the end of the previous fiscal year. The key contributors to this increase included a ¥4,111 million increase in electronically recorded monetary obligations and a ¥640 million increase in income taxes payable. Key factors reducing liabilities included a ¥604 million decrease in provisions.

Net assets totaled ¥101,411 million, up ¥3,675 million (3.8%) from the end of the previous fiscal year. Key positive factors included a ¥2,887 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 December 31, 2021 stood at 66.6%, down 1.0 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 January 26, 2022, the Company revised its full-year operating results forecasts announced on October 28, 2021.

For more details, please refer to the press release titled “Komori Corporation Announces the Revised Forecasts for Full-Year Operating Results for the Fiscal Year Ending March 31, 2022” dated January 26, 2022.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2021 (March 31, 2021)	Fiscal 2022 (December 31, 2021)
(ASSETS)		
Current Assets:		
Cash and deposits	46,875	45,641
Notes and accounts receivable - trade	14,662	-
Notes and accounts receivable - trade, and contract assets	-	13,132
Electronically recorded monetary claims - operating	1,259	2,123
Short-term investment securities	8,511	14,767
Merchandise and finished goods	13,837	15,006
Work in process	9,987	10,537
Raw materials and supplies	7,949	8,115
Other	2,652	3,228
Allowance for doubtful accounts	(430)	(462)
Total current assets	105,304	112,090
Noncurrent Assets:		
Property, plant and equipment		
Land	8,641	8,256
Other, net	7,649	8,169
Total property, plant and equipment	16,290	16,425
Intangible assets		
Goodwill	2,709	2,413
Other	1,810	1,570
Total intangible assets	4,520	3,984
Investments and other assets	18,327	19,660
Total noncurrent assets	39,138	40,070
Total Assets	144,443	152,160

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

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2021 (March 31, 2021)	Fiscal 2022 (December 31, 2021)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable - trade	5,826	6,095
Electronically recorded obligations - operating	6,677	10,789
Short-term loans payable	873	473
Income taxes payable	436	1,076
Provisions	1,804	1,200
Other	15,997	16,318
Total current liabilities	31,615	35,953
Noncurrent Liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	439	374
Net defined benefit liability	2,030	1,976
Provisions	67	52
Other	2,553	2,393
Total noncurrent liabilities	15,091	14,795
Total Liabilities	46,707	50,749
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	22,735	25,623
Treasury stock	(2,621)	(2,854)
Total shareholders' equity	95,618	98,272
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,087	3,615
Foreign currency translation adjustment	(345)	13
Remeasurements of defined benefit plans	(685)	(562)
Total other comprehensive income	2,055	3,067
Non-controlling interests	62	72
Total Net Assets	97,736	101,411
Total Liabilities and Net Assets	144,443	152,160

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

Consolidated Statements of Income

For the nine months ended December 31, 2021 and 2020

(In millions of yen)

	Fiscal 2021 (April 1, 2020 to December 31, 2020)	Fiscal 2022 (April 1, 2021 to December 31, 2021)
Net Sales	51,315	63,546
Cost of Sales	36,789	42,963
Gross profit	14,526	20,583
Selling, General and Administrative Expenses	16,397	19,368
Operating income (loss)	(1,871)	1,214
Non-Operating Income		
Interest income	30	35
Dividends income	201	230
Foreign exchange gains	-	258
Subsidy income	224	29
Other	389	299
Total non-operating income	845	853
Non-Operating Expenses		
Interest expenses	38	43
Foreign exchange losses	92	-
Provision of allowance for doubtful accounts	78	-
Other	142	83
Total non-operating expenses	351	126
Ordinary income (loss)	(1,377)	1,941
Extraordinary Income		
Gain on sales of noncurrent assets	0	3,687
Gain on sales of investment securities	93	5
Gain on bargain purchase	637	-
Other	-	14
Total extraordinary income	731	3,707
Extraordinary Loss		
Loss on sales of noncurrent assets	0	1
Loss on retirement of non-current assets	0	14
Loss on valuation of investment securities	77	104
Business restructuring expenses	-	148
Other	-	15
Total extraordinary loss	78	284
Profit (loss) before income taxes	(723)	5,364
Income taxes-current	210	1,082
Income taxes-deferred	(32)	(91)
Total income taxes	178	991
Profit (loss)	(901)	4,373
Profit (loss) attributable to non-controlling interests	(4)	8
Profit (loss) attributable to owners of parent	(897)	4,364

Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2021 and 2020

(In millions of yen)

	Fiscal 2021 (April 1, 2020 to December 31, 2020)	Fiscal 2022 (April 1, 2021 to December 31, 2021)
Profit (loss)	(901)	4,373
Other comprehensive income		
Valuation difference on available-for-sale securities	468	528
Foreign currency translation adjustment	363	361
Remeasurements of defined benefit plans, net of tax	235	123
Total other comprehensive income	1,067	1,012
Comprehensive Income	165	5,386
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	170	5,376
Comprehensive income (loss) attributable to non-controlling interests	(4)	9

(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 nine months increased ¥160 million, while the cost of sales rose ¥165 million. Moreover, SG&A expenses grew ¥28 million. In addition, operating income, ordinary income and income before income taxes each decreased ¥34 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 third 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 nine months of the fiscal year under review declined ¥51 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.