

# **Consolidated Business Results for the Six Months Ended September 30, 2016** **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

October 31, 2016

Company name: KOMORI CORPORATION  
Securities code: 6349 (Tokyo Stock Exchange)  
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Payment date of second quarter period-end dividend: November 30, 2016

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, 2016 to September 30, 2016)**

### **(1) Results of operations**

(In millions of yen, rounded down)

	Six months ended September 30, 2016	%	Six months ended September 30, 2015	%
Net sales	33,934	(21.6)	43,259	8.0
Operating income (loss)	(2,083)	-	2,160	(1.4)
Ordinary income (loss)	(3,022)	-	2,819	2.7
Profit (loss) attributable to owners of parent	(3,580)	-	3,842	34.8

(Yen)

Basic earnings (loss) per share	(58.31)	62.01
Diluted earnings per share	-	-

Notes:

#### **1. Comprehensive income (loss):**

Six months ended September 30, 2016: (4,265) million yen - %

Six months ended September 30, 2015: 3,421 million yen (11.3) %

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, 2016	March 31, 2016
Total assets	177,094	188,173
Total net assets	128,030	135,890
Equity ratio (%)	72.3	72.2

Reference:

Equity as of: September 30, 2016: 128,017 million yen  
March 31, 2016: 135,876 million yen

## **2. Dividends**

(Yen)

	Fiscal year ended March 31, 2016	Fiscal year ending March 31, 2017	Fiscal year ending March 31, 2017 (Forecast)
Cash dividends per share			
First quarter period-end dividends	-	-	-
Second quarter period-end dividends	20.00	20.00	-
Third quarter period-end dividends	-	-	-
Year-end dividends	20.00	-	20.00
Annual cash dividends	40.00	-	40.00

Note: Revision to the latest dividend forecast announced in May 2016: None

### 3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(In millions of yen, rounded down)

	Fiscal year ending March 31, 2017	%
Net sales	90,500	(5.1)
Operating income	2,000	(69.8)
Ordinary income	1,000	(84.6)
Profit attributable to owners of parent	200	(96.9)
(Yen)		
Basic earnings per share	3.33	

Notes:

1. Revision to the latest forecast of consolidated business results announced in October 2016: 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: | 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, 2016:	62,292,340 shares
March 31, 2016:	68,292,340 shares
2. Number of treasury shares as of:
 

September 30, 2016:	2,249,119 shares
March 31, 2016:	6,328,517 shares
3. Average number of shares during the period
 

Six months ended September 30, 2016:	61,409,295 shares
Six months ended September 30, 2015:	61,964,944 shares

#### \* Implementation status of quarterly review

This quarterly financial flash report (KESSAN TANSIN) is not subject to the review procedure by certified public accountants or auditing firm, as is required under the Financial Instruments and Exchange Law of Japan. Nevertheless, as of the date of announcement of this report, the review of the quarterly financial statements contained herein is in progress.

#### \* 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 summary result presentation in Japanese will be disclosed through the Tokyo Stock Exchange's Timely Disclosure Network, known as TDnet, on November 8, 2016. The same materials will be posted on Komori's website. Also, English translation of these materials will be posted on the Company's website at:  
[http://www.komori.com/contents\\_com/ir/index.htm](http://www.komori.com/contents_com/ir/index.htm)

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## 1. Qualitative Information Regarding the Quarterly Financial Results

### (1) Overview of Consolidated Business Results

Consolidated net sales during the first half of the fiscal year under review amounted to ¥33,934 million, representing a 21.6% decrease from the same period of the previous fiscal year. 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, 2015	Six Months Ended September 30, 2016	Increase / (Decrease) (%)
Net sales		43,259	33,934	(21.6%)
Breakdown	Japan	15,823	12,746	(19.4%)
	North America	6,036	4,664	(22.7%)
	Europe	9,276	8,320	(10.3%)
	Greater China	7,709	3,659	(52.5%)
	Other Regions	4,413	4,542	2.9%

#### *Domestic Sales*

In Japan, export businesses experienced stagnant corporate performance due to the appreciation of the yen, while growth in inbound demand lost its previous momentum. Despite an ongoing improvement in the employment environment, growth in personal consumption was modest, reflecting a sense of uncertainty in the outlook of corporate earnings and other negative factors. In the printing industry, demand for facility upgrades remained firm. However, the overall market was affected by a sharp recoil from the previous fiscal year's temporary growth in capital expenditure that resulted from public subsidies aimed at popularizing energy-saving facilities. As a result, domestic net sales decreased 19.4% year on year to ¥12,746 million.

#### *North America*

In North America, ongoing recovery in employment led to stable growth in wages, thereby boosting consumer confidence and stimulating personal consumption. On the other hand, demand for facility upgrades was less than robust, reflecting the cautious attitude of printing companies toward making new investment, in spite of some ongoing business discussions on the installation of large printing facilities. Given these and other negative factors, such as the

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ongoing appreciation of the yen, net sales in this region decreased 22.7% year on year to ¥4,664 million.

### ***Europe***

Despite the repercussions of the UK's decision to leave the European Union, which triggered a sense of uncertainty in the outlook, the economy saw modest but constant growth thanks to proactive monetary easing undertaken by the European Central Bank. Given these circumstances, in May 2016 Komori participated in drupa2016, the world's largest printing equipment exhibition, held in Dusseldorf, Germany, thereby demonstrating its solutions supported by offset and digital printing presses, post-press equipment, printing supplies and ICT systems. Thanks to these efforts, Komori saw year-on-year increases in both orders received and net sales on a local currency basis. However, due to disadvantageous foreign exchange rates, net sales in this region decreased 10.3% compared with the same period of the previous fiscal year to ¥8,320 million.

### ***Greater China***

In Greater China, economic growth continued to slow due to excess debt and surplus capacity in the corporate sector, resulting in stagnant demand for offset printing presses. On the back of sluggish print demand, printing companies were deprived of their earnings power, reflecting intensified competition and surging personnel expenses. On the other hand, new printing facilities with automated and labor saving mechanisms capable of performing high-value-added printing services are attracting the attention of some major printing firms strongly interested in facility upgrade solutions that will help them prevail over competitors by reducing expenses and enhancing service capabilities. To address these needs, Komori expanded its lineup of package printing presses as well as printing presses tailored for companies engaged in online printing services. At the same time, the Company strove to stimulate demand for facility upgrades through such initiatives as open house events. Nevertheless, demand was less than robust, as printing companies remained cautious about new capital expenditure, discouraged by the appreciation of the yen and the tightening of credit examination procedures prior to financing. Consequently, net sales in this region decreased 52.5% year on year to ¥3,659 million.

### ***Other Regions***

In Other Regions, India and ASEAN nations enjoyed continued economic growth. Reflecting this, orders received were robust thanks to firm demand for printing presses. Although the delayed shipment of some export products reduced sales, security printing press sales grew. As a result, net sales in this region increased 2.9% year on year to ¥4,542 million.

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Turning to expenses, a decrease in units sold, a rise in the cost of sales ratio (reflecting the appreciation of the yen) and other factors contributed to a year-on-year profit decline. Taking these factors into account, the Company posted operating loss of ¥2,083 million for the second half of the fiscal year under review, compared with operating income of ¥2,160 million in the same period of the previous fiscal year. The Company also posted an ordinary loss totaling ¥3,022 million. This is partially attributable to foreign exchange losses amounting to ¥1,160 million, a turnaround from foreign exchange gains totaling ¥130 million posted in the first half of the previous fiscal year, along with the absence of the ¥242 million in late-payment penalty charges received in the first period of the previous fiscal year (recorded as non-operating income). In addition, Komori executed the reversal of deferred tax assets derived from loss carryforwards posted by the parent company at the end of the previous fiscal year in relation to the recent downward revisions to operating results forecasts. As a result, Komori posted a net loss attributable to owners of the parent totaling ¥3,580 million, marking a turnaround from the ¥3,842 million net income attributable to owners of the parent in the same period of the previous fiscal year, which was partially thanks to the posting of deferred tax assets at its U.S. sales subsidiary based on the growing recoverability of such assets and reduced tax burdens.

## **(2) Financial Condition**

### **Total Assets**

As of September 30, 2016, total assets stood at ¥177,094 million, down ¥11,079 million (5.9%) year on year. Key positive factors contributing to the rise in total assets included a ¥3,887 million increase in inventories, an ¥862 million increase in investment securities and a ¥532 million increase in investments and other assets. Key negative factors affecting total assets included a ¥14,635 million decrease in cash and deposits, a ¥603 million decrease in current assets—other, and a ¥535 million decrease in property, plant and equipment.

### **Liabilities and Net Assets**

Liabilities as of September 30, 2016 were ¥49,064 million, down ¥3,218 million (6.2%) year on year. The key contributors to the decrease in liabilities were a ¥1,468 million decline in notes and accounts payable—trade, a ¥757 million decrease in electronically recorded monetary obligations, a ¥378 million decrease in income taxes payable and a ¥220 million decrease in net defined benefit liabilities.

Net assets totaled ¥128,030 million, down ¥7,860 million (5.8%) year on year.

Primary factors contributing to the increase in net assets included a ¥2,525 million decrease in

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treasury stock and a ¥459 million increase in valuation difference on available-for-sale securities, while key factors contributing to the decrease in net assets were a ¥9,698 million decrease in retained earnings and a ¥1,315 million decrease in the foreign currency translation adjustment.

### **Equity Ratio**

The equity ratio as of September 30, 2016 stood at 72.3%, a 0.1 percentage point increase from 72.2% at the end of the same period of the previous fiscal year.

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

### **Outlook**

In light of recent trends in its operating results and the future outlook of economic conditions, on October 28, 2016 Komori announced revised consolidated operating results forecasts for the first half of the fiscal year under review as it determined that the actual results fall short of the previous performance forecasts disclosed on May 12, 2016.

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

	(In millions of yen)	
	Fiscal 2016	Fiscal 2017
	(March 31, 2016)	September 30, 2016
<b>(ASSETS)</b>		
<b>Current Assets:</b>		
Cash and deposits	50,034	35,398
Notes and accounts receivable-trade	18,306	18,028
Short-term investment securities	18,821	19,683
Merchandise and finished goods	16,871	18,626
Work in process	7,423	9,677
Raw materials and supplies	8,154	8,033
Other	8,989	8,386
Allowance for doubtful accounts	(191)	(199)
Total current assets	128,409	117,634
<b>Noncurrent Assets:</b>		
Property, plant and equipment		
Land	18,352	18,296
Other, net	16,471	15,992
Total property, plant and equipment	34,824	34,289
Intangible assets	2,975	2,674
Investments and other assets	21,963	22,496
Total noncurrent assets	59,764	59,459
<b>Total Assets</b>	<b>188,173</b>	<b>177,094</b>

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**(1) Consolidated Balance Sheets**

	(In millions of yen)	
	Fiscal 2016	Fiscal 2017
	(March 31, 2016)	September 30, 2016
<b>(LIABILITIES)</b>		
<b>Current Liabilities:</b>		
Notes and accounts payable-trade	12,435	10,967
Electronically recorded obligations-operating	6,395	5,637
Short-term loans payable	40	15
Income taxes payable	713	334
Provision for loss on guarantees	415	348
Other provision	2,059	1,993
Other	14,269	14,086
Total current liabilities	36,329	33,383
<b>Noncurrent Liabilities:</b>		
Bonds payable	10,000	10,000
Long-term loans payable	25	-
Net defined benefit liability	3,657	3,436
Provision	273	145
Other	1,997	2,098
Total noncurrent liabilities	15,954	15,680
<b>Total Liabilities</b>	<b>52,283</b>	<b>49,064</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' Equity:</b>		
Capital stock	37,714	37,714
Capital surplus	37,797	37,797
Retained earnings	65,669	55,970
Treasury stock	(4,956)	(2,430)
Total shareholders' equity	136,225	129,051
<b>Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	2,664	3,123
Foreign currency translation adjustment	(380)	(1,696)
Remeasurements of defined benefit plans	(2,632)	(2,461)
Total other comprehensive income	(348)	(1,034)
<b>Non-controlling interests</b>	<b>14</b>	<b>12</b>
<b>Total Net Assets</b>	<b>135,890</b>	<b>128,030</b>
<b>Total Liabilities and Net Assets</b>	<b>188,173</b>	<b>177,094</b>

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

For the six months ended September 30, 2016 and 2015

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to September 30, 2015)	Fiscal 2017 (April 1, 2016 to September 30, 2016)
<b>Net Sales</b>	43,259	33,934
<b>Cost of Sales</b>	28,230	23,802
Reversal of unrealized income on installment sales	9	2
Gross profit	15,038	10,134
<b>Selling, General and Administrative Expenses</b>	12,877	12,217
Operating Income (loss)	2,160	(2,083)
<b>Non-Operating Income</b>		
Interest income	62	40
Dividends income	118	139
Foreign exchange gains	130	-
Late-payment penalty charges received	242	-
Other	210	210
Total non-operating income	764	390
<b>Non-Operating Expenses</b>		
Interest expenses	32	28
Foreign exchange losses	-	1,160
Compensation for damage	40	47
Other	31	92
Total non-operating expenses	105	1,329
Ordinary income (loss)	2,819	(3,022)
<b>Extraordinary Income</b>		
Gain on sales of noncurrent assets	1	45
Total extraordinary income	1	45
<b>Extraordinary Loss</b>		
Loss on sales of noncurrent assets	1	17
Loss on retirement of noncurrent assets	9	10
Total extraordinary loss	10	27
Income (loss) before income taxes	2,810	(3,004)
Income taxes-current	580	(56)
Income taxes-deferred	(1,612)	631
Total income taxes	(1,032)	575
<b>Profit (loss)</b>	3,842	(3,580)
Profit attributable to non-controlling interests	0	0
<b>Profit (loss) attributable to owners of parent</b>	3,842	(3,580)

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**Consolidated Statements of Comprehensive Income**

For the six months ended September 30, 2016 and 2015

	(In millions of yen)	
	Fiscal 2016	Fiscal 2017
	(April 1, 2015 to September 30, 2015)	(April 1, 2016 to September 30, 2016)
<b>Profit (loss)</b>	3,842	(3,580)
Other comprehensive income		
Valuation difference on available-for-sale securities	(438)	459
Foreign currency translation adjustment	(64)	(1,315)
Remeasurements of defined benefit plans, net of tax	81	170
Total other comprehensive income	(421)	(685)
<b>Comprehensive Income (loss)</b>	3,421	(4,265)
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	3,422	(4,264)
Comprehensive income (loss) attributable to non-controlling interests	(1)	(1)

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**(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)**

**(1) Purchase of Treasury Stock**

Based on a resolution passed at a Board of Directors meeting held on July 1, 2016, Komori acquired treasury stock totaling 1,920,400 shares during the first half of the fiscal year under review. This purchase was executed in accordance with Article 459-1 of Japan's Company Law and Komori's Articles of Incorporation. As a result, the value of Komori's treasury stock increased ¥2,375 million.

**(2) Retirement of Treasury Stock**

Based on a resolution passed at said Board of Director meeting, Komori retired treasury stock totaling 6,000,000 shares on July 29, 2016. As a result, both retained earnings and the value of treasury stock decreased ¥4,901 million. This move was executed in accordance with Article 178 of the Company Law.