Consolidated Business Results for the Nine Months Ended December 31, 2016
REPORTED BY KOMORI CORPORATION (Japanese GAAP)

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Company name:	KOMORI CORPORATION
Representative:	Mr. Satoshi Mochida Representative Director, President and COO
Securities code:	6349 (Tokyo Stock Exchange)
Contact:	Mr. Koichi Matsuno Director, Operating Officer Phone: (81)-3-5608-7826 URL (http://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, 2016 to December 31, 2016)

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

	Nine months ended December 31, 2016	%	Nine months ended December 31, 2015	%
Net sales	57,002	(16.5)	68,234	5.8
Operating income (loss)	(716)	-	4,667	23.5
Ordinary income (loss)	(689)	-	5,201	(4.7)
Profit (loss) attributable to owners of parent	(1,655)	-	5,839	7.7

(Yen)

Basic earnings (loss) per share	(27.27)	94.23
Diluted earnings per share	-	-

Notes:
1. Comprehensive income (loss):
Nine months ended December 31, 2016: (35) million yen - %
Nine months ended December 31, 2015: 6,006 million yen (17.4) %
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, 2016	March 31, 2016
Total assets	180,898	188,173
Total net assets	128,411	135,890
Equity ratio (%)	71.0	72.2

Reference:
Equity as of: December 31, 2016: 128,411 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

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

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	3.43

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:	
December 31, 2016:	62,292,340 shares
March 31, 2016:	68,292,340 shares
2. Number of treasury shares as of:	
December 31, 2016:	4,065,566 shares
March 31, 2016:	6,328,517 shares
3. Average number of shares during the period	
Nine months ended December 31, 2016:	60,709,914 shares
Nine months ended December 31, 2015:	61,964,838 shares

* Implementation status of quarterly review

This quarterly financial flash report (KESSAN TANSHIN) 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.

From the third quarter of the fiscal year ending March 31, 2017, sales attributable to certain supplier agreements for security printing presses are stated using the percentage-of-completion method. For more details, please refer to "2. Consolidated Financial Statements (3) Notes regarding Quarterly Consolidated Financial Statements (Additional Information)" on page 12.

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 6, 2017. 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 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 nine months of the fiscal year under review amounted to ¥57,002 million, representing a 16.5% 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)

		Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016	Increase / (Decrease) (%)
Net sales		68,234	57,002	(16.5%)
Breakdown	Japan	28,439	20,538	(27.8%)
	North America	9,569	6,460	(32.5%)
	Europe	12,503	11,380	(9.0%)
	Greater China	10,482	4,871	(53.5%)
	Other Regions	7,239	13,750	89.9%

Domestic Sales

In Japan, the corporate sector enjoyed robust earnings thanks to gradual recovery in production and exports. Although the household sector was backed by continuously favorable employment and wage conditions, growth in personal consumption was sluggish due to a strong trend toward prudent purchasing behaviors. 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 encouraging the adoption of energy-saving facilities. As a result, domestic net sales decreased 27.8% year on year to ¥20,538 million.

In the fiscal year under review, Komori launched the marketing of the Impremia IS29 sheetfed UV inkjet digital printing press in Japan, North America, Europe and Greater China as part of initiatives to create new businesses. Moreover, inviting banknote officials from 15 countries around the world, Komori hosted a business meeting titled “CURRENCY SOLUTIONS 2016” at its Tsukuba Plant to promote its security printing presses.

North America

In North America, despite a slowdown in employment growth, a stable increase in wages improved consumer confidence and led to robust personal consumption. On the other hand, demand for facility upgrades was stagnant, with printing companies maintaining a cautious attitude toward new investment. Given these and other negative factors, such as disadvantageous foreign exchange rates, net sales in this region decreased 32.5% year on year to ¥6,460 million.

Europe

In the European economy, a sense of uncertainty over the future prevailed due to the UK's decision to leave the European Union and Italy's growing political risk associated with a bailout plan for failing banks. However, the economy saw modest but constant growth thanks to proactive monetary easing undertaken by the European Central Bank. In May 2016, Komori participated in drupa2016, the world's largest printing equipment exhibition, held in Dusseldorf, Germany, where it demonstrated 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 9.0% compared with the same period of the previous fiscal year to ¥11,380 million.

Greater China

In Greater China, on the back of ongoing adjustments aimed at resolving the problem of excess debt and surplus capacity in the corporate sector, the slowdown of economic growth has bottomed out thanks to an upturn in public investment. However, the printing industry was affected by stagnant demand, with intensified competition and surging personnel expenses depriving printing companies of earnings power. Reflecting this, some major printing firms are strongly interested in facility upgrade solutions that will help them prevail over competitors by reducing expenses and enhancing service capabilities. New printing facilities with automated and labor saving mechanisms capable of performing high-value-added printing services are attracting the attention of such firms. 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 depreciation of the Chinese yuan. Consequently, net sales in this region decreased 53.5% year on year to ¥4,871 million.

Other Regions

In Other Regions, India and ASEAN nations saw a slowdown in growth due to the downturn in China's economic growth. Although demand for printing presses varied greatly by country and region, sales of security printing presses grew steadily. As a result, net sales in Other Regions increased 89.9% year on year to ¥13,750 million. In addition, from the third quarter of the fiscal year under review, sales attributable to certain supplier agreements for security printing presses are stated using the percentage-of-completion method. For more details, please refer to “2. Consolidated Financial Statements (3) Notes regarding Quarterly Consolidated Financial Statements (Additional Information)” on page 12.

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. As a result of these factors, the Company posted operating loss of ¥716 million for the first nine months of the fiscal year under review, compared with operating income of ¥4,667 million in the same period of the previous fiscal year. The Company posted an ordinary loss totaling ¥689 million. This is partially attributable to foreign exchange losses amounting to ¥241 million, an increase from foreign exchange losses totaling ¥15 million posted in the same period of the previous fiscal year, along with the absence of the ¥242 million in late-payment penalty charges received in the third quarter of the previous fiscal year (recorded as non-operating income).

For the first nine months of the fiscal year under review, the Company recorded a loss before income taxes totaling ¥1,021 million, a turnaround from income before income taxes totaling ¥5,183 million in the same period of the previous fiscal year. This was partly attributable to an impairment loss of ¥351 million recorded as an extraordinary loss at a manufacturing subsidiary of the Company’s in China. 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. As a result, Komori posted a net loss attributable to owners of the parent totaling ¥1,655 million, a turnaround from the ¥5,839 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 December 31, 2016, total assets stood at ¥180,898 million, down ¥7,275 million (3.9%) year on year. Key positive factors contributing to total assets included a ¥4,548 million increase in inventories and a ¥1,600 million increase in investments and other assets. Key negative factors affecting total assets included a ¥9,903 million decrease in cash and deposits, a ¥1,868 million decrease in investment securities, a ¥740 million decrease in property, plant and equipment and a ¥543 million decrease in current assets—other.

Liabilities and Net Assets

Liabilities as of December 31, 2016 were ¥52,486 million, up ¥203 million (0.4%) year on year. The key contributors to the increase in liabilities were a ¥1,939 million increase in current liabilities—other, a ¥649 million increase in electronically recorded monetary obligations and a ¥530 million increase in noncurrent liabilities—other. Key negative factors impacting liabilities included a ¥1,084 million decline in notes and accounts payable—trade, an ¥809 million decrease in other provision, a ¥553 million decrease in income taxes payable, a ¥277 million decrease in net defined benefit liabilities and a ¥126 million decrease in provision.

Net assets totaled ¥128,411 million, down ¥7,478 million (5.5%) year on year. Primary positive factors contributing to net assets included a ¥1,562 million increase in valuation difference on available-for-sale securities and a ¥268 million increase in remeasurements of defined benefit plans, while key factors contributing to the decrease in net assets were an ¥8,976 million decrease in retained earnings and a ¥211 million decrease in the foreign currency translation adjustment.

Equity Ratio

The equity ratio as of December 31, 2016 stood at 71.0%, down 1.2 percentage points from 72.2% at the end of the previous fiscal year.

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

As of the date of this reporting, the consolidated operating results forecasts announced on October 28, 2016 for the fiscal year ending March 31, 2017 remain unchanged.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2016 (March 31, 2016)	Fiscal 2017 (December 31, 2016
(ASSETS)		
Current Assets:		
Cash and deposits	50,034	40,130
Notes and accounts receivable-trade	18,306	18,395
Short-term investment securities	18,821	16,952
Merchandise and finished goods	16,871	19,829
Work in process	7,423	8,728
Raw materials and supplies	8,154	8,439
Other	8,989	8,446
Allowance for doubtful accounts	(191)	(218)
Total current assets	128,409	120,705
Noncurrent Assets:		
Property, plant and equipment		
Land	18,352	18,337
Other, net	16,471	15,747
Total property, plant and equipment	34,824	34,084
Intangible assets	2,975	2,544
Investments and other assets	21,963	23,564
Total noncurrent assets	59,764	60,193
Total Assets	188,173	180,898

(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2016 (March 31, 2016)	Fiscal 2017 (December 31, 2016)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable-trade	12,435	11,351
Electronically recorded obligations-operating	6,395	7,045
Short-term loans payable	40	67
Income taxes payable	713	159
Provision for loss on guarantees	415	348
Other provision	2,059	1,250
Other	14,269	16,208
Total current liabilities	36,329	36,431
Noncurrent Liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	25	-
Net defined benefit liability	3,657	3,379
Provision	273	146
Other	1,997	2,528
Total noncurrent liabilities	15,954	16,054
Total Liabilities	52,283	52,486
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,797	37,788
Retained earnings	65,669	56,693
Treasury stock	(4,956)	(5,055)
Total shareholders' equity	136,225	127,141
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	2,664	4,227
Foreign currency translation adjustment	(380)	(592)
Remeasurements of defined benefit plans	(2,632)	(2,363)
Total other comprehensive income	(348)	1,270
Non-controlling interests	14	-
Total Net Assets	135,890	128,411
Total Liabilities and Net Assets	188,173	180,898

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

For the nine months ended December 31, 2016 and 2015

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to December 31, 2015)	Fiscal 2017 (April 1, 2016 to December 31, 2016)
Net Sales	68,234	57,002
Cost of Sales	44,301	38,923
Reversal of unrealized income on installment sales	14	3
Gross profit	23,947	18,081
Selling, General and Administrative Expenses	19,280	18,798
Operating Income (loss)	4,667	(716)
Non-Operating Income		
Interest income	92	59
Dividends income	194	222
Late-payment penalty charges received	242	-
Other	308	299
Total non-operating income	838	581
Non-Operating Expenses		
Interest expenses	47	42
Foreign exchange losses	15	241
Compensation for damage	62	144
Provision for loss on litigation	93	-
Other	85	126
Total non-operating expenses	304	555
Ordinary income (loss)	5,201	(689)
Extraordinary Income		
Gain on sales of noncurrent assets	3	48
Total extraordinary income	3	48
Extraordinary Loss		
Loss on sales of noncurrent assets	1	17
Loss on retirement of noncurrent assets	19	11
Impairment loss	-	351
Total extraordinary loss	21	380
Income (loss) before income taxes	5,183	(1,021)
Income taxes-current	822	(86)
Income taxes-deferred	(1,478)	721
Total income taxes	(655)	634
Profit (loss)	5,838	(1,655)
Profit (loss) attributable to non-controlling interests	(0)	0
Profit (loss) attributable to owners of parent	5,839	(1,655)

Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2016 and 2015

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to December 31, 2015)	Fiscal 2017 (April 1, 2016 to December 31, 2016)
Profit (loss)	5,838	(1,655)
Other comprehensive income		
Valuation difference on available-for-sale securities	77	1,562
Foreign currency translation adjustment	(69)	(211)
Remeasurements of defined benefit plans, net of tax	159	268
Total other comprehensive income	167	1,619
Comprehensive Income (Loss)	6,006	(35)
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	6,008	(34)
Comprehensive income (loss) attributable to non-controlling interests	(1)	(1)

(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 3,736,500 shares during the first nine months 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 ￥4,999 million.

As of December 15, 2016, Komori completed the purchase of treasury stock based on said resolution of the Board of Directors.

(2) Retirement of Treasury Stock

Based on a resolution passed at the same 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.

(Additional Information)

(Adoption of the Percentage-of-Completion Method)

In the third quarter of the fiscal year under review, Komori adopted the percentage-of-completion method to recognize sales attributable to certain supplier agreements for security printing presses. The adoption of this method reflects the growing probability of progress in the manufacture and installation of security printing presses expected by the end of the fiscal year under review thanks to the reinforcement of the Company’s cost management systems. In addition, the progress rate of installation is estimated using the cost-to-cost method.

As a result of the aforementioned factors, net sales increased ￥4,794 million, while loss before income taxes decreased ￥1,281 million.