Results of Operations for the Fiscal Year Ended March 31, 2017
REPORTED BY KOMORI CORPORATION (Japanese GAAP)

May 15, 2017

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)
Annual General Meeting of Shareholders:	June 20, 2017
Payment date of year-end dividend:	June 21, 2017

Preparation of supplementary materials for financial results: Yes
Holding of presentation meeting for financial results: Yes (for financial analysts/investors)

1. Consolidated Business Results for Fiscal 2017 (April 1, 2016 to March 31, 2017)

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

	Fiscal year ended March 31, 2017	%	Fiscal year ended March 31, 2016	%
Net sales	86,618	(9.1)	95,326	4.5
Operating income	1,712	(74.1)	6,612	1.9
Ordinary income	1,430	(78.0)	6,508	(17.0)
Profit attributable to owners of parent	657	(89.9)	6,522	(13.8)

(Yen)

Basic earnings per share	10.94	105.26
Diluted earnings per share	-	-

(%)

ROE	0.5	4.8
ROA	0.8	3.5
Operating income to net sales ratio	2.0	6.9

Notes:
1. Comprehensive income:
Fiscal year ended March 31, 2017: 2,960 million yen (10.0) %
Fiscal year ended March 31, 2016: 3,287 million yen (69.1) %
2. Share of profit of entities accounted for using equity method:
Fiscal year ended March 31, 2017: -
Fiscal year ended March 31, 2016: -
3. Percentage figures given for the first four items in the above table represent the percentage increase/decrease on a year-on-year basis.

(2) Financial position (In millions of yen, rounded down)

	March 31, 2017	March 31, 2016
Total assets	180,100	188,173
Total net assets	131,386	135,890
Equity ratio (%)	73.0	72.2
Net assets per share (Yen)	2,256.47	2,192.83

Note:
Equity as of: March 31, 2017: 131,386 million yen
March 31, 2016: 135,876 million yen

(3) Summary of statements of cash flows (In millions of yen, rounded down)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Net cash provided by (used in) operating activities	(793)	11,935
Net cash provided by (used in) investing activities	4,261	(1,352)
Net cash provided by (used in) financing activities	(7,669)	(2,778)
Cash and cash equivalents at end of the period	54,652	59,140

2. Dividends

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ending March 31, 2018 (Forecast)
Annual cash dividends per share (Yen)	40.00	40.00	40.00
First quarter period-end dividends	-	-	-
Second quarter period-end dividends	20.00	20.00	20.00
Third quarter period-end dividends	-	-	-
Year-end dividends	20.00	20.00	20.00
Total cash dividends for the year (Millions of yen)	2,478	2,365	-
Dividend payout ratio (Consolidated) (%)	38.0	365.8	145.6
Ratio of dividends to net assets (Consolidated) (%)	1.8	1.8	-

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2018
(April 1, 2017 to March 31, 2018)

(In millions of yen, rounded down)

	Sixth months ending September 30, 2017	%	Fiscal year ending March 31, 2018	%
Net sales	43,500	28.2	97,000	12.0
Operating income	200	-	2,000	16.8
Ordinary income	200	-	2,100	46.9
Profit attributable to owners of parent	100	-	1,600	143.3
Basic earnings per share (Yen)	1.72	-	27.48	-

Note:
Percentage figures given for the first four items in the above table represent the percentage increase/decrease on a year-on-year basis.

*Notes
(1) Changes in significant subsidiaries during the fiscal year under review (Changes in the scope of consolidation accompanying changes in specified subsidiaries): None

(2) Changes in accounting policies; changes in accounting estimates; restatements
1. Changes 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

(3) Number of shares outstanding (common stock)
1. Number of shares outstanding (including treasury stock) as of:
   March 31, 2017: 62,292,340 shares
   March 31, 2016: 68,292,340 shares
2. Number of treasury stock as of:
   March 31, 2017: 4,065,893 shares
   March 31, 2016: 6,328,517 shares
3. Average number of shares during the period:
   Fiscal year ended March 31, 2017: 60,136,812 shares
   Fiscal year ended March 31, 2016: 61,964,615 shares

* Implementation status of audit procedures
This financial flash report (KESSAN TANSHIN) is not subject to auditing by a certified public accountant or auditing firm.

* 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.
For further information on the forecast of consolidated business results, please refer to "1. REVIEW OF OPERATIONS AND FINANCIAL CONDITION," "(5) Outlook" on pages 14.

Sales attributable to certain supplier agreements for security printing presses in the fiscal year under review are stated using the percentage-of-completion method. For more details, please refer to “3. CONSOLIDATED FINANCIAL STATEMENTS ” “(5) Notes to Consolidated Financial Statements (Additional Information)” presented on page 23 of the attached material.

Materials for the summary result presentation in Japanese will be disclosed through the Tokyo Stock Exchange’s Timely Disclosure Network, known as TDnet, on May 23, 2017. 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

Index

1. REVIEW OF OPERATIONS AND FINANCIAL CONDITION

(1) Fiscal 2017 Operating Results

(1) *Overview*

During the fiscal year ended March 31, 2017, the global economy was exposed to the fallout of a number of unexpected political developments, including the Brexit referendum and the U.S. presidential election results. Nevertheless, economic recovery continued thanks to the stability of employment around the globe and an upturn in overall resource demand that helped bring the economies of resource-rich countries back on track and contributed to a positive cycle supporting these countries' key industries. In Japan, there was a sense of economic improvement reflecting a rise in exports to China and other Asian countries, higher stock prices backed by firm corporate performance, and robust personal consumption.

Amidst these circumstances, however, the printing industry faced stagnant demand for printing on paper due to the ongoing popularization of information and communications technology. Although printing demand had previously ceased to fall in developed countries, it began declining again during the fiscal year under review. Meanwhile, markets in newly emerging nations enjoyed continued growth in printing demand in step with population growth and the expansion of the middle class, despite the impact of economic fluctuations.

In the printing machinery market, demand remained firm in Europe reflecting such factors as the effect of a major exhibition held in Germany in May 2016. In the United States, demand for facility upgrades was expected to grow after the presidential election. However, the majority of printing companies did not significantly change their cautious attitudes toward investment in offset printing presses and maintained a wait-and-see stance as the new administration's economic policies have not yet become clear. In China, although the slowdown of economic growth has bottomed out, demand for printing machinery was sluggish as lending criteria remained strict. In ASEAN nations and elsewhere in Asia, demand for currency printing presses was firm, contributing to stable sales growth. In Japan, demand decreased due to a recoil following the temporary growth in capital expenditures in the previous fiscal year that reflected the effects of public subsidy systems aimed at popularizing energy-saving facilities.

(2) *Consolidated Performance*

Amid this market environment, the Komori Group promoted its Fifth Medium-Term Management Plan (spanning April 2016 to March 2019). Having closed the first year of said plan, Komori is confident that the Company has made significant progress toward the goals of its two-pronged reformative initiatives: “transforming the business structure” to build a more diversified business portfolio; and “achieving business model innovation in sales activities” to expand the range of marketing through the provision of optimal solutions to business challenges confronting customers.

To transform the business structure, the Group promoted the security printing press business targeting overseas customers, the digital printing press (DPS) business and the printed electronics (PE) business. In the security printing press business, Komori held a business negotiation meeting titled “Currency Solution” at its Tsukuba Plant, thereby demonstrating its security printing press technologies for central bank officials and representatives of private currency printing firms from around the globe. Also, Komori successfully obtained orders for currency printing lines from central banks in India and Indonesia in addition to receiving similar orders from a U.S.-based private currency printing firm. Reflecting these positive factors, the security printing business enjoyed strong showings. In the DPS business, the Company’s Impremia IS29 digital printing press has completed a trial operation aimed at obtaining reviews from pilot users and was exhibited at multiple open house events targeting customers around the world. As a result, Komori received orders for the Impremia IS29 in Japan, the United States, Europe and China, thus initiating the delivery of this press to users in these countries. In the PE business, the Company exhibited its roll-to-roll screen printing press and a large-format, double-sided screen printing press at various domestic exhibitions—including the JPCA Show 2016, the 46th International Electronic Circuits Exhibition held in June 2016 at Tokyo Big Sight—as well as open house events, with the aim of making Komori products known to potential customers in the electronic parts and other industries. To help expand sales, Komori’s proposals at these events also included other solutions ranging from printing supplies to engraving technologies.

To achieve business model innovation in sales activities, Komori participated in drupa 2016, the world’s largest international printing exhibition, held in Germany in May 2016, to exhibit its hardware and software solutions under the theme of “Connected Print.” At this event, Komori demonstrated an innovative printing line in which offset and digital printing presses are masterfully integrated while also giving a variety of demonstrations that incorporated post-press equipment. In these ways, Komori helped attendees understand how these solutions contribute to the expansion of their printing operations. Furthermore, the Company presented KOMORI ICT SOLUTIONS, an IoT-based service that connects printing firms’ facilities with Komori’s dedicated ICT platform to make it easier to understand the status of business challenges they are confronting. The Company also exhibited K-Supply products that encompass ink, expendables and other printing supplies designed to maximize the performance of Komori printing presses and help customers enhance the stability and reliability of their printing operations. These efforts helped Komori secure greater market presence as a Print Engineering Service Provider (PESP) capable of providing comprehensive solutions backed by its distinctive strengths in the manufacture of offset printing presses.

Consequently, orders received in fiscal 2017, ended March 31, 2017, fell 2.3% from fiscal 2016 to ¥89,620 million, with consolidated net sales decreasing 9.1% year on year to ¥86,618 million. Because the cost of goods sold ratio rose due to such factors as the appreciation of the yen and negatively affected profit, operating income fell 74.1% from the previous fiscal year to ¥1,712 million. The balance of other income and expenses deteriorated, reflecting the absence of the ¥242 million in late-payment penalty charges received and recorded as non-operating income in the previous fiscal year. As a result, ordinary income declined 78.0% year on year to ¥1,430 million. Looking at extraordinary income and loss, Komori recorded impairment loss of ¥553 million in connection with noncurrent assets, compared with impairment loss of ¥182 million in the previous fiscal year. As a result, income before income taxes totaled ¥824 million, down 86.9% from fiscal 2016. Profit attributable to owners of the parent totaled ¥657 million, down 89.9% year on year, reflecting the absence of the deferred tax assets that in the previous fiscal year reduced tax burdens to be borne by a U.S.-based sales subsidiary.

Overseas sales totaled ¥52,235 million, down 5.1% from the previous fiscal year, with the ratio of overseas sales to net sales at 60.3%.

(3) *Overview of Consolidated Net Sales by Region*

Consolidated net sales during the fiscal year under review amounted to ¥86,618 million, representing a 9.1% decrease from the previous fiscal year. An overview of consolidated net sales by region is set out below.

(In millions of yen)

		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Increase / (Decrease) (%)
Net sales		95,326	86,618	(9.1%)
Breakdown	Japan	40,294	34,379	(14.7%)
	North America	12,758	10,124	(20.6%)
	Europe	17,461	16,820	(3.7%)
	Greater China	12,715	7,233	(43.1%)
	Other regions	12,096	18,060	49.3%

Domestic Sales

In Japan, a sense of economic improvement prevailed in the market thanks to a rise in exports to China and other Asian countries as well as higher stock prices backed by firm corporate performance and robust personal consumption. In the printing industry, orders received grew steadily as demand for facility upgrades remained firm. However, sales were largely sluggish in the face of a recoil from the temporary growth in capital expenditures in the previous fiscal year that reflected the effects of public subsidy systems aimed at popularizing energy-saving facilities. As a result, domestic sales decreased 14.7% from the previous fiscal year to ¥34,379 million.

North America

On the back of favorable employment and wage conditions, the North American market was supported by steady growth in personal consumption, reflecting consumer expectations regarding upcoming economic policies, including possible tax reductions, to be implemented by the new U.S. administration. Such expectations, however, did not affect sluggish demand for facility upgrades associated with offset printing presses as printing companies remained cautious toward making investments. With disadvantageous foreign exchange rates also acting as a negative factor, net sales in this region decreased 20.6% compared with the previous fiscal year to ¥10,124 million.

Europe

In Europe, modest economic recovery continued, reflecting the European Central Bank’s proactive monetary easing policies, despite a prevailing sense of uncertainty in the future outlook due to the U.K’s decision to leave the European Union and fear of growing political risks associated with key elections scheduled for 2017 in multiple EU member countries. Under these circumstances, in May 2016 Komori participated in drupa 2016, the world’s largest international printing 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 3.7% compared with the previous fiscal year to ¥16,820 million.

Greater China

In Greater China, while adjustment to resolve the problem of excess debt and surplus capacity in the corporate sector continued, the pace of economic growth ceased to slow thanks to government-led economic policies, including investment in public infrastructure, and this fostered a sense of recovery. In the printing industry, the priority placed on investment in offset printing presses has diminished due to the possibility of government orders demanding the relocation of facilities from urban to industrial areas to mitigate air pollution and other environmental impacts. Furthermore, financial institutions maintained strict lending criteria and remained cautious about making new loans. Meanwhile, some major printing companies with investment capacity are strongly interested in facility upgrade solutions that will help them counter surging in personnel expenses through the adoption of automated, labor saving mechanisms and position them to deliver printing services with greater value. 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 due to such factors as the depreciation of the Chinese yuan. Consequently, net sales in this region decreased 43.1% compared with the previous fiscal year to ¥7,233 million.

Other Regions

In India, the economic turmoil associated with the November 2016 withdrawal of high denomination currency notes caused a slowdown in growth. Meanwhile, ASEAN nations enjoyed modest but constant growth thanks to robust domestic demand in these nations, an upturn in exports and the effect of economic stimulus policies. Although demand for offset printing presses varied greatly by country and region, sales of security printing presses grew steadily. As a result, net sales in Other Regions increased 49.3% compared with the previous fiscal year to ¥18,060 million. Note that, from 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 “(Additional Information)” presented on page 23 of the attached material.

(4) *Business Performance by Reportable Segment*

1. Japan

The “Japan” reportable segment includes the Company’s sales in Japan and direct sales to distributors in certain overseas regions as well as sales of security printing presses to overseas customers. These overseas regions consist of Asia—including mainland China, the ASEAN region and India but excluding Hong Kong and Taiwan—and Central and South America, as well as other regions. Reflecting the Company’s performance in the above regions, net sales in the reportable segment “Japan” totaled ¥71,707 million, a year-on-year decrease of ¥7,744 million, while operating income totaled ¥437 million, a decrease from ¥5,266 million in the previous fiscal year.

2. North America

The “North America” reportable segment comprises sales posted by the Company’s sales subsidiaries in the United States. The Company’s performance in this reportable segment was affected by the operating conditions described in the section Overview of Consolidated Net Sales by Region, above. As a result, net sales in this reportable segment totaled ¥10,186 million, a year-on-year decrease of ¥2,604 million. Operating income totaled ¥75 million, a decrease from ¥199 million in the previous fiscal year.

3. Europe

The “Europe” reportable segment consists of sales recorded by the Company’s sales subsidiaries in Europe and by a subsidiary that manufactures and markets package printing presses, also in Europe. As a result of the factors explained in the above section, net sales in this reportable segment totaled ¥17,650 million, a year-on-year decrease of ¥876 million, and operating income totaled ¥672 million, a decrease from ¥857 million in the previous fiscal year.

4. Other

The “Other” reportable segment includes sales recorded by the Company’s sales subsidiaries in Hong Kong, Taiwan, Singapore and Malaysia as well as a printing machinery production subsidiary in Nantong, China. Subject to the aforementioned operating conditions in Asia, net sales in this reportable segment totaled ¥5,065 million, a year-on-year decrease of ¥913 million. However, due to a loss posted by the Nantong printing machinery production subsidiary, operating loss amounted to ¥158 million, compared with a loss of ¥84 million recorded in the previous fiscal year.

(5) *Highlights*

In the fiscal year ended March 31, 2017, Group highlights were as follows.

Firstly, as part of initiatives to develop new businesses, in the DPS business the Komori Group launched the marketing of the Impremia IS29, a digital printing press that accommodates 29-inch (B2 size) paper. Boasting superior print quality and stability to satisfy performance requirements for professional use, this press offers extremely high print resolution that is comparable to offset printing. This model can print on regular offset printing paper as well as other various types of paper with a wide range of thicknesses and is capable of performing instant curing, single-pass double sided printing and seamless post-press processing. Thanks to these features, the Impremia IS29 has garnered a solid reputation.

Secondly, the Group released KP-Connect (KOMORI Solution Cloud) as part of services marketed under the PESP business approach, another key initiative to develop new businesses. An information-sharing platform aimed at helping printing companies enhance operational productivity, KP-Connect makes it easier to check the status of facility utilization. When coupled with the K-Support inspection and maintenance service, KP-Connect is capable of enabling more efficient print facility utilization and maintenance. Moreover, it helps users optimize printing workflows by comprehensively managing printing and related operations ranging from pre-press to post-press processes.

Thirdly, Komori completed the development of the LITHRONE GX44RP, a 44-inch sheet-fed offset press for double-sided printing, as a new model to bolster the Company’s core offset printing press business. A product of the Company’s thoroughgoing pursuit of high-quality, high-speed and stable double-sided printing using a simplified process, the LITHRONE GX44RP helps printers of magazines, books and other publishing-related products, as well as those engaged in package printing, perform high-quality printing services with superior productivity.

(2) Fiscal 2017 Financial Condition

Assets, Liabilities and Net Assets

Total assets as of March 31, 2017 stood at ¥180,100 million, a decrease of ¥8,073 million compared with the previous fiscal year-end. Liabilities were ¥48,713 million, a decrease of ¥3,569 million compared with March 31, 2016, while net assets totaled ¥131,386 million, a decrease of ¥4,504 million.

Key positive factors contributing to total assets included a ¥3,786 million increase in notes and accounts receivable—trade, which was attributable to sales growth in the fourth quarter of the fiscal year under review, and a ¥2,052 million increase in investment securities. Key negative factors affecting total assets included a ¥9,321 million decrease in cash and deposits, a ¥1,062 million decrease in property, plant and equipment, a ¥998 million decrease in current assets—other, a ¥806 million decrease in inventories, a ¥522 million decrease in intangible assets and a ¥500 million decrease in long-term bank deposits.

Factors that reduced liabilities included a ¥1,160 million decrease in current liabilities—other, a ¥812 million decrease in notes and accounts payable—trade, a ¥474 million decrease in income taxes payable, a ¥373 million decrease in electronically recorded monetary obligations and a ¥306 million decrease in net defined benefit liabilities.

Positive factors contributing to net assets included a ¥1,805 million increase in valuation difference on available-for-sale securities, a ¥977 million increase in remeasurements of defined benefit plans and a ¥657 million increase in retained earnings due to the posting of profit attributable to owners of the parent. Key negative factors included ¥5,001 million used in the acquisition of treasury stock, a ¥2,440 million decrease in retained earnings due to the payment of cash dividends and a ¥479 million decrease in the foreign currency translation adjustment.

(3) Fiscal 2017 Consolidated Cash Flows

(In millions of yen)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended March 31, 2017	(793)	4,261	(7,669)	54,652
Fiscal year ended March 31, 2016	11,935	(1,352)	(2,778)	59,140
Increase / (Decrease)	(12,729)	5,613	(4,891)	(4,487)

Net cash used in operating activities in the fiscal year ended March 31, 2017 amounted to ¥793 million, a turnaround of ¥12,729 million from net cash provided by operating activities of ¥11,935 million in the previous fiscal year. Principal cash outflows included a ¥4,632 million increase in notes and accounts receivable—trade and a ¥1,297 million decrease in notes and accounts payable—trade. Major cash inflows were ¥2,132 million in depreciation and amortization and the posting of income before income taxes totaling ¥824 million.

Net cash provided by investing activities was ¥4,261 million, a turnaround of ¥5,613 million from ¥1,352 million used in investing activities in the previous fiscal year. Principal cash outflows included a ¥1,467 million net increase in property, plant and equipment and intangible assets. Main cash inflows included a ¥2,984 million net decrease in securities and a ¥2,084 million net decrease in time deposits maturing over three months.

Net cash used in financing activities totaled ¥7,669 million, up ¥4,891 million from ¥2,778 million used in financing activities in the previous fiscal year. The principal components of cash outflows included a ¥5,001 million increase in treasury stock and the payment of cash dividends amounting to ¥2,440 million.

(4) Basic Policy on the Appropriation of Profits and Cash Dividends for the Fiscal Year under Review and the Fiscal Year Ending March 31, 2018

While considering the level of retained earnings required to prudently secure a robust operating platform and ensure future business growth from a long-term perspective, Komori positions maintaining the robust and stable return of profits to its shareholders as a key management priority. Guided by this underlying policy, Komori aims to ensure a total shareholder return ratio of 40% or greater. This target ratio is consistent with the Company's policy for shareholder returns set forth in the Fifth Medium-Term Management Plan, which Komori launched in April 2016, and was determined by giving due consideration to ensuring the stable payment of dividends. As such, Komori is committed to enhancing shareholder returns in a comprehensive manner.

As for the fiscal 2017 year-end cash dividend, Komori has passed a resolution at its Board of Directors meeting to propose the payment of ¥20 per common share, as stated in the dividend forecast, at its 71st Annual General Meeting of Shareholders.

Although the operating environment surrounding the Company is likely to remain severe, for the fiscal year ending March 31, 2018, Komori plans to pay annual dividends of ¥40 per common share, the same amount paid in the previous fiscal year. This will comprise an interim cash dividend of ¥20 per common share and a fiscal year-end cash dividend of ¥20 per common share.

(5) Outlook

In the printing industry, demand for value-added printing services and package printing remains firm in key markets including Japan, Europe and the United States, despite the overall stagnation of print demand in such fields as publishing printing in the face of the popularization of digital media. In newly emerging nations, markets in India and ASEAN nations have seen steady growth in print demand, reflecting population growth and the expansion of the middle class. Taking these factors into account, in fiscal 2018 Komori anticipates modest recovery in market sentiment backed by overall demand for facility upgrades in connection with offset printing presses.

In particular, Komori believes that the prolonged stagnation of demand in the Chinese market will bottom out. Based on this projection, the Komori Group participated in China Print 2017 (the Beijing International Printing Technology Exhibition) held May 9 through 13, 2017, to demonstrate the combination of offset and digital printing presses supplemented by Komori's color matching technologies as well as KP-Connect, a cloud-based solution capable of comprehensively managing the entire printing process, and printing supplies marketed under the K-Supply brand. With visitors from Greater China, India and ASEAN nations attending this industry-leading exhibition, the Group's demonstration garnered favorable reviews from attendees and has led to a rise in the number of customer inquiries and business negotiations.

For fiscal 2018, Komori will focus on the following policies. In the offset printing press business, the Company will push ahead with strategic initiatives, including the marketing of new offerings that target package product users while strengthening its sales and service structure to serve key Asian markets. In the DPS business, the Group will strive to expand the sales of the Impremia IS29, a UV inkjet digital printing system. In the PESP business, the Group will launch the overseas marketing of KP-Connect to pursue business growth in this field while enhancing the lineup of its K-Supply products and maintenance services. In these ways, Komori will better accommodate needs for optimal solutions that help customers improve the productivity and profitability of their printing processes.

In the security printing press business, sales attributable to supplier agreements that meet prescribed conditions are stated using the percentage-of-completion method from the fiscal year ended March 31, 2017. Looking ahead, Komori will realize stable profit by drawing on the abundant balance of orders received during said fiscal year.

In the PE business, the Group will advance marketing activities to win over new customers, such as domestic and overseas electronic parts makers, in anticipation of a possible upturn in capital expenditure in related industries domestically and abroad. To this end, the Group will leverage the screen printing technologies and sales channels of subsidiary SERIA CORPORATION.

To improve profitability, the Group will utilize ICT to enhance operational efficiency and curb selling, general and administrative (SG&A) expenses. Simultaneously, the Group will promote *Monozukuri (Manufacturing) Innovation* activities to build a more efficient production structure capable of accommodating multi-product and variable-lot production requirements with shorter production lead times and smaller manufacturing costs.

Forecasts of Consolidated Results for the Fiscal Year Ending March 31, 2018

(In millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ending March 31, 2018	Increase / (Decrease) (%)
Net sales	86,618	97,000	12.0%
Operating income	1,712	2,000	16.8%
Ordinary income	1,430	2,100	46.9%
Profit attributable to owners of parent	657	1,600	143.3%

Forecasts for the fiscal year ending March 31, 2018 are based on exchange rate assumptions as follows: USD 1.00 = ¥105, Euro 1.00 = ¥115

2. FUNDAMENTAL APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS

To ensure preparedness for the future adoption of IFRS reporting, discussions are now under way to develop in-house manuals and guidelines and determine the appropriate timing for its introduction.

3. CONSOLIDATED FINANCIAL STATEMENTS
(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2016	March 31, 2017
(ASSETS)		
Current Assets:		
Cash and deposits	50,034	40,712
Notes and accounts receivable-trade	18,306	22,092
Short-term investment securities	18,821	18,696
Merchandise and finished goods	16,871	15,589
Work in process	7,423	7,666
Raw materials and supplies	8,154	8,387
Current portion of insurance funds	629	538
Deferred tax assets	5,454	4,795
Other	2,905	1,906
Allowance for doubtful accounts	(191)	(291)
Total current assets	128,409	120,094
Noncurrent Assets:		
Property, plant and equipment		
Buildings and structures	31,958	31,775
Accumulated depreciation	(20,339)	(20,950)
Buildings and structures, net	11,619	10,825
Machinery, equipment and vehicles	20,760	19,590
Accumulated depreciation	(17,022)	(15,867)
Machinery, equipment and vehicles, net	3,738	3,723
Land	18,352	18,194
Construction in progress	64	17
Other	7,561	7,078
Accumulated depreciation	(6,512)	(6,076)
Other, net	1,049	1,002
Total property, plant and equipment	34,824	33,762
Intangible assets	2,975	2,453
Investments and other assets		
Investment securities	12,003	14,056
Long-term time deposits	500	-
Deferred tax assets	1,098	1,543
Insurance funds	5,945	6,040
Net defined benefit asset	1,123	1,000
Other	1,520	1,348
Allowance for doubtful accounts	(228)	(199)
Total investments and other assets	21,963	23,789
Total noncurrent assets	59,764	60,005
Total Assets	188,173	180,100

(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2016	March 31, 2017
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable-trade	12,435	11,622
Electronically recorded obligations-operating	6,395	6,022
Short-term loans payable	40	48
Income taxes payable	713	238
Provision for bonuses	1,053	1,034
Provision for product warranties	979	859
Provision for loss on guarantees	415	325
Provision for directors' bonuses	25	30
Provision for point card certificates	1	0
Provision for business structure improvement	-	57
Deferred installment income	50	46
Notes payable - facilities	163	87
Other	14,055	12,895
Total current liabilities	36,329	33,268
Noncurrent Liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	25	-
Deferred tax liabilities	1,341	1,234
Provision for directors' retirement benefits	12	26
Provision for point card certificates	0	0
Provision for environmental measures	10	10
Provision for loss on litigation	250	110
Net defined benefit liability	3,657	3,350
Other	656	712
Total noncurrent liabilities	15,954	15,445
Total Liabilities	52,283	48,713
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,797	37,788
Retained earnings	65,669	58,985
Treasury stock	(4,956)	(5,055)
Total shareholders' equity	136,225	129,432
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	2,664	4,469
Foreign currency translation adjustment	(380)	(860)
Remeasurements of defined benefit plans	(2,632)	(1,655)
Total other comprehensive income	(348)	1,953
Non-controlling interests	14	-
Total Net Assets	135,890	131,386
Total Liabilities and Net Assets	188,173	180,100

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

Consolidated Statements of Income

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to March 31, 2016)	Fiscal 2017 (April 1, 2016 to March 31, 2017)
Net Sales	95,326	86,618
Cost of Sales	62,564	59,139
Reversal of unrealized income on installment sales	18	4
Gross profit	32,780	27,483
Selling, General and Administrative Expenses	26,167	25,771
Operating income	6,612	1,712
Non-Operating Income		
Late-payment penalty charges received	242	-
Interest income	118	78
Dividends income	198	236
Rent income	83	91
Other	357	328
Total non-operating income	999	735
Non-Operating Expenses		
Interest expenses	62	58
Compensation for damage	291	245
Foreign exchange losses	400	516
Provision for loss on litigation	140	-
Other	210	198
Total non-operating expenses	1,104	1,018
Ordinary income	6,508	1,430
Extraordinary Income		
Gain on sales of noncurrent assets	16	39
Total extraordinary income	16	39
Extraordinary Loss		
Loss on sales of noncurrent assets	21	19
Loss on retirement of noncurrent assets	27	14
Impairment loss	182	553
Provision for business structure improvement	-	57
Total extraordinary loss	230	644
Income before income taxes	6,293	824
Income taxes-current	921	121
Income taxes-deferred	(1,150)	45
Total income taxes	(228)	166
Income before minority interests	6,522	658
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	6,522	657

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to March 31, 2016)	Fiscal 2017 (April 1, 2016 to March 31, 2017)
Profit	6,522	658
Other comprehensive income		
Valuation difference on available-for-sale securities	(783)	1,805
Foreign currency translation adjustment	(785)	(479)
Remeasurements of defined benefit plans, net of tax	(1,666)	977
Total other comprehensive income	(3,234)	2,302
Comprehensive Income	3,287	2,960
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	3,288	2,961
Comprehensive income attributable to non-controlling interests	(1)	(1)

(3) Consolidated Statements of Changes in Net Assets

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to March 31, 2016)	Fiscal 2017 (April 1, 2016 to March 31, 2017)
Shareholders' Equity		
Capital stock		
Balance at the beginning of current period	37,714	37,714
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	37,714	37,714
Capital surplus		
Balance at the beginning of current period	37,797	37,797
Changes of items during the period		
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	-	(8)
Total changes of items during the period	-	(8)
Balance at the end of current period	37,797	37,788
Retained earnings		
Balance at the beginning of current period	61,685	65,669
Changes of items during the period		
Dividends from surplus	(2,478)	(2,440)
Profit attributable to owners of parent	6,522	657
Change of scope of consolidation	(59)	-
Retirement of treasury stocks	-	(4,901)
Total changes of items during the period	3,984	(6,684)
Balance at the end of current period	65,669	58,985
Treasury stock		
Balance at the beginning of current period	(4,954)	(4,956)
Changes of items during the period		
Purchase of treasury stocks	(1)	(5,001)
Retirement of treasury stocks	-	4,901
Total changes of items during the period	(1)	(99)
Balance at the end of current period	(4,956)	(5,055)
Total shareholders' equity		
Balance at the beginning of current period	132,242	136,225
Changes of items during the period		
Dividends from surplus	(2,478)	(2,440)
Profit attributable to owners of parent	6,522	657
Purchase of treasury stocks	(1)	(5,001)
Change of scope of consolidation	(59)	-
Net changes of items other than shareholders' equity	-	-
Retirement of treasury stocks	-	-
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	-	(8)
Total changes of items during the period	3,982	(6,792)
Balance at the end of current period	136,225	129,432

(3) Consolidated Statements of Changes in Net Assets

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to March 31, 2016)	Fiscal 2017 (April 1, 2016 to March 31, 2017)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	3,447	2,664
Changes of items during the period		
Net changes of items other than shareholders' equity	(783)	1,805
Total changes of items during the period	(783)	1,805
Balance at the end of the period	2,664	4,469
Foreign currency translation adjustment		
Balance at the beginning of the period	404	(380)
Changes of items during the period		
Net changes of items other than shareholders' equity	(785)	(479)
Total changes of items during the period	(785)	(479)
Balance at the end of the period	(380)	(860)
Remeasurements of defined benefit plans		
Balance at the beginning of the period	(966)	(2,632)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,666)	977
Total changes of items during the period	(1,666)	977
Balance at the end of the period	(2,632)	(1,655)
Total accumulated other comprehensive income		
Balance at the beginning of the period	2,886	(348)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,234)	2,302
Total changes of items during the period	(3,234)	2,302
Balance at the end of the period	(348)	1,953
Non-controlling interests		
Balance at the beginning of the period	-	14
Changes of items during the period		
Net changes of items other than shareholders' equity	14	(14)
Total changes of items during the period	14	(14)
Balance at the end of the period	14	-
Total Net Assets		
Balance at the beginning of the period	135,128	135,890
Changes of items during the period		
Dividends from surplus	(2,478)	(2,440)
Profit attributable to owners of parent	6,522	657
Purchase of treasury stocks	(1)	(5,001)
Change of scope of consolidation	(59)	-
Net changes of items other than shareholders' equity	(3,220)	2,288
Retirement of treasury stocks	-	-
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	-	(8)
Total changes of items during the period	761	(4,504)
Balance at the end of the period	135,890	131,386

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	Fiscal 2016 (April 1, 2015 to March 31, 2016)	Fiscal 2017 (April 1, 2016 to March 31, 2017)
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes	6,293	824
Depreciation and amortization	2,026	2,132
Impairment loss	182	553
Amortization of goodwill	180	151
Increase (decrease) in allowance for doubtful accounts	143	75
Increase (decrease) in provision for bonuses	51	(19)
Increase (decrease) in net defined benefit liability	(233)	157
Interest and dividends income	(317)	(315)
Interest expenses	62	58
Foreign exchange losses (gains)	50	287
Decrease (increase) in notes and accounts receivable-trade	5,130	(4,632)
Decrease (increase) in inventories	(1,204)	11
Increase (decrease) in notes and accounts payable-trade	865	(1,297)
Decrease (increase) in prepaid expenses	(312)	338
Increase (decrease) in accrued consumption taxes	(136)	248
Other, net	(54)	425
Subtotal	12,729	(1,001)
Interest and dividends income received	319	319
Interest expenses paid	(62)	(58)
Income taxes paid	(1,051)	(53)
Net cash provided by (used in) operating activities	11,935	(793)
Net Cash Provided by (Used in) Investing Activities:		
Net decrease (increase) in short-term investment securities	759	2,984
Payments into time deposits	(1,294)	(54)
Proceeds from withdrawal of time deposits	4,849	2,138
Purchase of property, plant and equipment and intangible assets	(2,797)	(1,518)
Proceeds from sales of property, plant and equipment and intangible assets	30	51
Purchase of insurance funds	(1,023)	(602)
Proceeds from maturity of insurance funds	937	599
Purchase of investment securities	(2,219)	(144)
Proceeds from sales of investment securities	22	498
Purchase of long-term prepaid expenses	(730)	(0)
Other payments	(52)	(30)
Other proceeds	164	339
Net cash provided by (used in) investing activities	(1,352)	4,261
Net Cash Provided by (Used in) Financing Activities:		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(22)
Net increase (decrease) in short-term loans payable	(172)	118
Repayment of long-term loans payable	(23)	(126)
Repayments of lease obligations	(101)	(197)
Purchase of treasury stocks	(1)	(5,001)
Cash dividends paid	(2,478)	(2,440)
Net cash provided by (used in) financing activities	(2,778)	(7,669)
Effect of exchange rate change on cash and cash equivalents	(375)	(284)
Net increase (decrease) in cash and cash equivalents	7,428	(4,487)
Cash and cash equivalents at beginning of the period	51,556	59,140
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	154	-
Cash and cash equivalents at end of the period	59,140	54,652

(5) Notes to Consolidated Financial Statements

(Notes on Premise as a Going Concern)

Not applicable.

(Additional Information)

(Adoption of the Percentage-of-Completion Method)

In 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 heightened certainty regarding 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 ¥6,258 million, while income before income taxes increased ¥1,649 million.

(Consolidated Segment Information)

[Segment Information]

1. Overview of Reportable Segments

Komori's reportable segments are constituent units of the Company whose separate financial information is obtainable. The Company's Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and assessing operating results.

The Komori Group is primarily engaged in a single business activity, namely, the manufacture, sale and repair of printing presses. Komori has established a structure to manufacture all of its products, except certain products, in Japan. Meanwhile, the Company has developed a global sales and marketing structure underpinned by subsidiaries based in important overseas markets. These overseas subsidiaries are independently promoting business activities through the formulation and implementation of their own comprehensive, region-specific sales and marketing strategies.

Accordingly, the Komori Group has the three reportable segments of "Japan," "North America" and "Europe," which have been defined in line with the locations of its various Group companies constituting its global sales and marketing structure.

The composition of individual reportable segments is as follows. The reportable segment "Japan" includes sales recorded in Japan, Central and South America and Asia (excluding a portion of Greater China) as well as sales of security printing presses to overseas customers. Komori Corporation and SERIA CORPORATION are in charge of sales and marketing in this segment.

The reportable segment "North America" mainly includes sales recorded in the United States. Komori America Corporation is in charge of sales and marketing in this segment. The reportable segment "Europe" mainly includes sales recorded in Western Europe, Eastern Europe and the Middle East. Komori International (Europe) B.V. is in charge of sales and marketing in this segment. Komori-Chambon S.A.S., which undertakes the manufacture and sale of package printing presses, is also included in this segment.

2. Accounting Method Concerning Net Sales, Operating Income (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting methods for the reportable segments are basically the same as the accounting methods used in the preparation of consolidated financial statements.

Intersegment sales and transfers are based on wholesale prices calculated by taking into account current market values and other factors.

3. Information Concerning Net Sales, Operating Income (Loss), Assets, Liabilities and Other Items by Reportable Segment

Fiscal 2016 (April 1, 2015 to March 31, 2016)

(In millions of yen)

	Reportable Segment				Others (Note)	Total
	Japan	North America	Europe	Subtotal		
Net sales						
Sales to outside customers	60,511	12,758	17,461	90,731	4,594	95,326
Intersegment sales	18,940	31	1,065	20,037	1,384	21,422
Total	79,451	12,790	18,526	110,769	5,979	116,749
Operating income (loss)	5,266	199	857	6,323	(84)	6,238
Assets	164,911	10,176	13,171	188,259	3,664	191,923
Other items						
Depreciation	1,679	28	223	1,930	95	2,026
Impairment loss	182	—	—	182	—	182
Amortization of goodwill	180	—	—	180	—	180
Increase of property, plant and equipment and intangible assets	3,054	108	283	3,446	88	3,534

Note: Others includes the Company’s business activities conducted outside the defined reportable segments, namely, those undertaken by sales subsidiaries in Hong Kong, Taiwan, Singapore and Malaysia as well as a printing machinery manufacturing subsidiary in Nantong, China.

Fiscal 2017 (April 1, 2016 to March 31, 2017)

(In millions of yen)

	Reportable Segment				Others (Note)	Total
	Japan	North America	Europe	Subtotal		
Net sales						
Sales to outside customers	55,509	10,124	16,820	82,454	4,163	86,618
Intersegment sales	16,197	61	830	17,089	902	17,991
Total	71,707	10,186	17,650	99,544	5,065	104,609
Operating income (loss)	437	75	672	1,185	(158)	1,026
Assets	156,951	8,874	12,064	177,890	3,386	181,277
Other items						
Depreciation	1,770	23	256	2,050	82	2,132
Impairment loss	200	—	—	200	353	553
Amortization of goodwill	151	—	—	151	—	151
Increase of property, plant and equipment and intangible assets	1,270	23	340	1,633	134	1,768

Note: Others includes the Company’s business activities conducted outside the defined reportable segments, namely, those undertaken by sales subsidiaries in Hong Kong, Taiwan, Singapore and Malaysia as well as a printing machinery manufacturing subsidiary in Nantong, China.

4. Adjustments for Differences between Total Amounts in Reportable Segments and Corresponding Amounts as Presented in Consolidated Financial Statements

(In millions of yen)

Net Sales	Fiscal 2016	Fiscal 2017
Total net sales in reportable segments	110,769	99,544
Net sales in others	5,979	5,065
Eliminations	(21,422)	(17,991)
Net sales as presented in Consolidated Financial Statements	95,326	86,618

(In millions of yen)

Operating Income (Loss)	Fiscal 2016	Fiscal 2017
Total operating income in reportable segments	6,323	1,185
Operating loss in others	(84)	(158)
Adjustments for inventories	289	587
Eliminations	84	97
Other adjustments	(0)	0
Operating income as presented in Consolidated Financial Statements	6,612	1,712

5. Information Concerning Impairment Loss of Noncurrent Assets by Reportable Segment

Omitted because similar information is presented in *Segment Information*.

6. Information Concerning Amortization and Unamortized Balance of Goodwill by Reportable Segment

Fiscal 2016 (April 1, 2015 to March 31, 2016)

Goodwill was posted in the reportable segment "Japan," reflecting the acquisition of 92.5% of the shares of Komori Southeast Asia Pte. Ltd. in fiscal 2015 and the subsequent inclusion of this company into the scope of consolidation in fiscal 2016.

(In millions of yen)

	Reportable Segment				Others	Total
	Japan	North America	Europe	Subtotal		
Amount as of the end of fiscal 2016	815	—	—	815	—	815

Note: The amortization amount of goodwill is omitted because similar information is presented in *Segment Information*.

Fiscal 2017 (April 1, 2016 to March 31, 2017)

(In millions of yen)

	Reportable Segment				Others	Total
	Japan	North America	Europe	Subtotal		
Amount as of the end of fiscal 2017	657	—	—	657	—	657

Note: The amortization amount of goodwill is omitted because similar information is presented in *Segment Information*.

(Per Share Information)

	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Net assets per share	2,192.83	2,256.47
Basic earnings per share	105.26	10.94

Diluted earnings per share are not presented in the table above as there were no potentially dilutive shares for the fiscal years ended March 31, 2016 and 2017.

Basis for Calculation

1. Basis for the calculation of basic earnings per share is as follows.

	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	6,522	657
Amount not available to common stockholders (millions of yen)	－	－
Profit attributable to owners of parent pertaining to common stock (millions of yen)	6,522	657
Average number of shares of common stock outstanding during the year (thousands of shares)	61,964	60,136

2. Basis for the calculation of net assets per share is as follows.

	Fiscal Year Ended March 31, 2016	Fiscal Year Ended March 31, 2017
Net assets (millions of yen)	135,890	131,386
Amount deducted from net total assets (millions of yen)	14	－
(Non-controlling interests) (millions of yen)	(14)	(－)
Net assets pertaining to common stock (millions of yen)	135,876	131,386
Number of shares of common stock outstanding (thousands of shares)	61,963	58,226

(Important Subsequent Events)

Fiscal 2016 (April 1, 2015 to March 31, 2016)

Not applicable.

Fiscal 2017 (April 1, 2016 to March 31, 2017)

Not applicable.

4. Other

(1) Changes in Directors and Corporate Auditors

As stated in the press release titled “Notice regarding changes in Directors and Corporate Auditors,”* dated April 28, 2017, the Company has disclosed its decision to implement the following changes in its directors and corporate auditors.

*Japanese only

1. Changes in Representative Directors

Not applicable.

2. Changes in Other Directors and Corporate Auditors

The following changes are scheduled to take effect on June 20, 2017.

(1) Changes in Directors

(Candidate for new appointment)

Isao Funabashi (currently Operating Officer, Deputy General Manager of Tsukuba Plant, Head of Technical Management Department)

(2) Changes in Corporate Auditors

Not applicable.