

Consolidated Business Results for the Six Months Ended September 30, 2017 **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

October 30, 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>)

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, 2017 to September 30, 2017)

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

	Six months ended September 30, 2017	%	Six months ended September 30, 2016	%
Net sales	42,773	26.0	33,934	(21.6)
Operating income (loss)	436	-	(2,083)	-
Ordinary income (loss)	1,270	-	(3,022)	-
Profit (loss) attributable to owners of parent	1,102	-	(3,580)	-

(Yen)

Basic earnings (loss) per share	18.93	(58.31)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Six months ended September 30, 2017: 1,923 million yen - %

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

2. Percentage figures accompanying consolidated net sales indicate the percentage increase/decrease from the corresponding period of the previous fiscal year.

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

	September 30, 2017	March 31, 2017
Total assets	182,775	180,100
Total net assets	132,145	131,386
Equity ratio (%)	72.3	73.0

Reference:

Equity as of: September 30, 2017: 132,145 million yen

March 31, 2017: 131,386 million yen

2. Dividends

(Yen)

	Fiscal year ended March 31, 2017	Fiscal year ending March 31, 2018	Fiscal year ending March 31, 2018 (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 2017: None

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)

	Fiscal year ending March 31, 2018	%
Net sales	94,000	8.5
Operating income	1,900	10.9
Ordinary income	2,300	60.8
Profit attributable to owners of parent	1,900	188.9
(Yen)		
Basic earnings per share	32.63	

Notes:

1. Revision to the latest forecast of consolidated business results announced in October 2017: 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, 2017:	62,292,340 shares
March 31, 2017:	62,292,340 shares
2. Number of treasury shares as of:

September 30, 2017:	4,066,125 shares
March 31, 2017:	4,065,893 shares
3. Average number of shares during the period

Six months ended September 30, 2017:	58,226,377 shares
Six months ended September 30, 2016:	61,409,295 shares

* This quarterly financial flash report (KESSAN TANSIN) is not subject to quarterly review by certified public accountants or auditing firms as specified under the Financial Instruments and Exchange Law of Japan.

* Disclaimer regarding the appropriate use of performance forecasts and other remarks

The aforementioned forecasts are based on management's assumptions and beliefs held in light of information currently available to it and accordingly involve risks and uncertainties that may cause actual results to differ materially from forecasts. These uncertainties include, but are not limited to, changes in economic conditions, market trends, changes in foreign currency exchange rates and other factors.

Materials for the summary result presentation in Japanese will be disclosed through the Tokyo Stock Exchange's Timely Disclosure Network, known as TDnet, on November 7, 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

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

Index

1. Qualitative Information Regarding the Quarterly Financial Results	P. 4
(1) Overview of Consolidated Business Results	P. 4
(2) Financial Condition	P. 6
(3) Consolidated Operating Results Forecasts and Other Information on the Future Outlook	P. 6
2. Consolidated Financial Statements	P. 7
(1) Consolidated Balance Sheets	P. 7
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	P. 9
Consolidated Statements of Income For the six months ended September 30, 2017 and 2016	P. 9
Consolidated Statements of Comprehensive Income For the six months ended September 30, 2017 and 2016	P. 10
(3) Notes Regarding Quarterly Consolidated Financial Statements	P. 11
(Notes on Premise as a Going Concern)	P. 11
(Notes in the Case of a Significant Change in Shareholders' Equity)	P. 11

1. Qualitative Information Regarding the Quarterly Financial Results

(1) Overview of Consolidated Business Results

Consolidated net sales during the first six months of the fiscal year under review amounted to ¥42,773 million, representing a 26.0% increase 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, 2016	Six Months Ended September 30, 2017	Increase / (Decrease) (%)
Net sales		33,934	42,773	26.0%
Breakdown	Japan	12,746	16,513	29.6%
	North America	4,664	4,327	(7.2%)
	Europe	8,320	7,566	(9.1%)
	Greater China	3,659	5,029	37.4%
	Other Regions	4,542	9,336	105.5%

Domestic Sales

The Japanese economy enjoyed continued recovery backed by rising exports and robust domestic demand. Buoyed by firm printing machinery demand, domestic net sales grew 29.6% year on year to ¥16,513 million. In the second quarter of the fiscal year under review, the Company hosted open house events at its Komori Graphic Technology Center to demonstrate package and commercial printing solutions, including those incorporating rapid-curing and digital printing systems, in an effort to take orders for such solutions. Moreover, Komori participated in the Label Forum Japan 2017 held at Tokyo International Forum and exhibited samples created employing the Company's post-press equipment for fine patterning and paper lamination processes. This, in turn, piqued the interest of attendees.

North America

In North America, corporate earnings remained robust thanks to continuous improvement in employment. Looking at the printing machinery market, despite a modest upturn in capital expenditure for facility upgrades associated with offset printing presses, net sales in this region decreased 7.2% year on year to ¥4,327 million due to the lingering repercussions of stagnant demand in the first quarter of the fiscal year under review. In the second quarter, Komori participated in Print2017, an international printing equipment exhibition held in Chicago, to demonstrate its Impremia IS29—a 29 inch-size sheet-fed inkjet digital printing system, thus engaging in active business negotiations with attendees. In addition, the Impremia IS29 was chosen by the Printing Industries of America to receive an InterTech™ Technology Award 2017 in recognition of its revolutionary functionality that fills gaps between offset and digital printing.

Europe

While economies in the euro zone enjoyed modest but continued recovery thanks to monetary easing policies led by the European Central Bank and an upturn in manufacturers' production volume, the U.K. economy was sluggish due to a sense of uncertainty about the future outlook of the country's exit from the European Union. As a result, net sales in this region decreased 9.1% year on year to ¥7,566 million, due mainly to the falloff in the United Kingdom.

Greater China

In Greater China, government-led economic policies led to a significant rise in investment in infrastructure and real estate. Moreover, exports made a year-on-year turnaround and resumed a growth track in step with the expanding global economy. Reflecting this, the regional economy enjoyed modest but continued growth. Against this backdrop, Komori's participation in China Print 2017 (the Beijing International Printing Technology Exhibition) held in May 2017, yielded a lasting positive impact on its operating results, with potential clients and the Company engaging in ever more active sales negotiations for high-value-added printing presses. Consequently, net sales in this region rose 37.4% year on year to ¥5,029 million.

Other Regions

In Other Regions, India was struck by disorder associated with the introduction of the Goods and Services Tax (GST) in July 2017. However, economies in ASEAN countries maintained gradual growth due to robust domestic demand and exports. In addition to these factors, sales for security printing presses remained firm, causing net sales in Other Regions to increase 105.5% year on year to ¥9,336 million. In May 2017, Currency Conference 2017 was held in Malaysia, with central bank officials as well as representatives from private banknote printing firms and banknote printing machinery makers attending the event from 76 countries around the world. Participating in this conference, Komori proactively endeavored to take orders for its products by facilitating attendees' understanding of its rapidly-growing track record as a security printing press supplier as well as the robust reputation it has garnered for the reliability of its printing presses.

Turning to expenses, the ratio of selling, general and administrative (SG&A) expenses to net sales was down compared with the same period of the previous fiscal year due mainly to growth in net sales and a decrease in corporate spending on advertising. As a result, the Company posted operating income of ¥436 million for the first six months of the fiscal year under review, making a turnaround from operating loss of ¥2,083 million in the same period of the previous fiscal year. Moreover, the Company posted ordinary income totaling ¥1,270 million. This was thanks in part to the posting of foreign exchange gains totaling ¥614 million, a turnaround from foreign exchange losses of ¥1,160 million recorded in the same period of the previous fiscal year.

For the first six months of the fiscal year under review, the Company recorded income

before income taxes totaling ¥1,121 million, a turnaround from a loss before income taxes totaling ¥3,004 million posted in the same period of the previous fiscal year, despite the posting of retirement benefit expenses of ¥170 million during the first quarter in connection with revisions in retirement benefit systems at a domestic manufacturing subsidiary.

Reflecting these factors, Komori posted profit attributable to owners of the parent totaling ¥1,102 million. This was a turnaround from the net loss attributable to owners of the parent in the same period of the previous fiscal year, which amounted to ¥3,580 million and was partially due to the reversal of deferred tax assets derived from loss carryforwards posted by the parent company.

(2) Financial Condition

Total Assets

As of September 30, 2017, total assets stood at ¥182,775 million, up ¥2,675 million (1.5%) year on year. Key positive factors contributing to total assets included a ¥2,762 million increase in securities, a ¥1,726 million increase in electronically recorded claims, a ¥1,207 million increase in current assets—other and a ¥668 million increase in inventories.

Key negative factors affecting total assets included a ¥3,531 million decrease in cash and deposits.

Liabilities and Net Assets

Liabilities as of September 30, 2017 were ¥50,629 million, up ¥1,915 million (3.9%) year on year. The key contributors to the increase in liabilities were a ¥967 million increase in electronically recorded obligations, a ¥614 million increase in current liabilities—other and a ¥230 million increase in income taxes payable.

Net assets totaled ¥132,145 million, up ¥759 million (0.6%) year on year. Primary positive factors contributing to net assets included a ¥430 million increase in valuation difference on available-for-sale securities, a ¥280 million increase in foreign currency translation adjustment and a ¥111 million increase in remeasurements of defined benefit plans. The key factor contributing to the decrease in net assets was a ¥62 million decrease in retained earnings.

Equity Ratio

The equity ratio as of September 30, 2017 stood at 72.3%, down 0.7 percentage points from 73.0% at the end of the previous fiscal year.

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

With regard to consolidated operating results forecasts for the full fiscal year ending March 31, 2018, the Company revised its previous forecasts disclosed on May 15, 2017. For more detail, please refer to a press release titled “Komori Corporation Announces Revised Operating Results Forecasts” dated October 27, 2017.

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

	(In millions of yen)	
	Fiscal 2017	Fiscal 2018
	(March 31, 2017)	September 30, 2017
(ASSETS)		
Current Assets:		
Cash and deposits	40,712	37,181
Notes and accounts receivable	20,065	20,099
Electronically recorded monetary claims	2,026	3,752
Short-term investment securities	18,696	21,459
Merchandise and finished goods	15,589	16,571
Work in process	7,666	7,206
Raw materials and supplies	8,387	8,533
Other	7,240	8,448
Allowance for doubtful accounts	(291)	(241)
Total current assets	120,094	123,011
Noncurrent Assets:		
Property, plant and equipment		
Land	18,194	18,222
Other, net	15,567	15,317
Total property, plant and equipment	33,762	33,539
Intangible assets	2,453	2,251
Investments and other assets	23,789	23,971
Total noncurrent assets	60,005	59,763
Total Assets	180,100	182,775

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

(1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2017	Fiscal 2018
	(March 31, 2017)	September 30, 2017
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	11,622	11,637
Electronically recorded obligations	6,022	6,989
Short-term loans payable	48	19
Income taxes payable	238	469
Provision for loss on guarantees	325	294
Other provision	1,981	1,946
Other	13,029	13,643
Total current liabilities	33,268	35,000
Noncurrent Liabilities:		
Bonds payable	10,000	10,000
Net defined benefit liability	3,350	3,407
Provision	147	146
Other	1,946	2,074
Total noncurrent liabilities	15,445	15,629
Total Liabilities	48,713	50,629
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	58,985	58,923
Treasury stock	(5,055)	(5,056)
Total shareholders' equity	129,432	129,370
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	4,469	4,900
Foreign currency translation adjustment	(860)	(580)
Remeasurements of defined benefit plans	(1,655)	(1,544)
Total other comprehensive income	1,953	2,774
Total Net Assets	131,386	132,145
Total Liabilities and Net Assets	180,100	182,775

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

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

Consolidated Statements of Income

For the six months ended September 30, 2017 and 2016

	(In millions of yen)	
	Fiscal 2017	Fiscal 2018
	(April 1, 2016 to September 30, 2016)	(April 1, 2017 to September 30, 2017)
Net Sales	33,934	42,773
Cost of Sales	23,802	30,117
Reversal of unrealized income on installment sales	2	1
Gross profit	10,134	12,656
Selling, General and Administrative Expenses	12,217	12,220
Operating Income (loss)	(2,083)	436
Non-Operating Income		
Interest income	40	33
Dividends income	139	163
Foreign exchange gains	-	614
Other	210	203
Total non-operating income	390	1,014
Non-Operating Expenses		
Interest expenses	28	31
Foreign exchange losses	1,160	-
Compensation for damage	47	118
Other	92	31
Total non-operating expenses	1,329	180
Ordinary income (loss)	(3,022)	1,270
Extraordinary Income		
Gain on sales of noncurrent assets	45	-
Gain on sales of investment securities	-	29
Total extraordinary income	45	29
Extraordinary Loss		
Loss on sales of noncurrent assets	17	-
Loss on retirement of noncurrent assets	10	7
Retirement benefit expenses	-	170
Total extraordinary loss	27	177
Income (loss) before income taxes	(3,004)	1,121
Income taxes-current	(56)	315
Income taxes-deferred	631	(296)
Total income taxes	575	19
Profit (loss)	(3,580)	1,102
Profit (loss) attributable to non-controlling interests	0	-
Profit (loss) attributable to owners of parent	(3,580)	1,102

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

Consolidated Statements of Comprehensive Income

For the six months ended September 30, 2017 and 2016

(In millions of yen)

	Fiscal 2017	Fiscal 2018
	(April 1, 2016 to September 30, 2016)	(April 1, 2017 to September 30, 2017)
Profit (loss)	(3,580)	1,102
Other comprehensive income		
Valuation difference on available-for-sale securities	459	430
Foreign currency translation adjustment	(1,315)	280
Remeasurements of defined benefit plans, net of tax	170	111
Total other comprehensive income	(685)	821
Comprehensive Income (Loss)	(4,265)	1,923
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	(4,264)	1,923
Comprehensive income (loss) attributable to non-controlling interests	(1)	-

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

(3) Notes Regarding Quarterly Consolidated Financial Statements

(Notes on Premise as a Going Concern)

None

(Notes in the Case of a Significant Change in Shareholders' Equity)

None