

Consolidated Business Results for the Nine Months Ended December 31, 2017 **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

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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, 2017 to December 31, 2017)

(1) Results of operations

(In millions of yen, rounded down)

	Nine months ended December 31, 2017	%	Nine months ended December 31, 2016	%
Net sales	63,870	12.0	57,002	(16.5)
Operating income (loss)	1,340	-	(716)	-
Ordinary income (loss)	2,412	-	(689)	-
Profit (loss) attributable to owners of parent	1,633	-	(1,655)	-

(Yen)

Basic earnings (loss) per share	28.06	(27.27)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Nine months ended December 31, 2017: 3,010 million yen - %

Nine months ended December 31, 2016: (35) million yen - %

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

(2) Financial position

(In millions of yen, rounded down)

	December 31, 2017	March 31, 2017
Total assets	182,447	180,100
Total net assets	132,066	131,386
Equity ratio (%)	72.4	73.0

Reference:

Equity as of: December 31, 2017: 132,066 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:

December 31, 2017:	62,292,340 shares
March 31, 2017:	62,292,340 shares
2. Number of treasury shares as of:

December 31, 2017:	4,066,548 shares
March 31, 2017:	4,065,893 shares
3. Average number of shares during the period

Nine months ended December 31, 2017:	58,226,286 shares
Nine months ended December 31, 2016:	60,709,914 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 February 6, 2018. 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.)

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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 ¥63,870 million, representing a 12.0% 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)

		Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2017	Increase / (Decrease) (%)
Net sales		57,002	63,870	12.0%
Breakdown	Japan	20,538	24,524	19.4%
	North America	6,460	5,950	(7.9%)
	Europe	11,380	11,880	4.4%
	Greater China	4,871	7,674	57.5%
	Other Regions	13,750	13,839	0.6%

Domestic Sales

The Japanese economy enjoyed modest but continued growth thanks to rising exports attributable to solid demand in overseas markets as well as robust domestic demand. Robust demand for offset printing presses drove revenue, while the strong performance of electronics parts makers helped increase sales of screen printing presses and other relevant equipment. Consequently, domestic sales grew 19.4% year on year to ¥24,524 million. In July 2017, the Company held an open house event at the Komori Graphic Technology Center, showcasing its package and commercial printing solutions that incorporate rapid-curing and digital printing systems in an effort to take orders for such solutions.

North America

In North America, corporate earnings remained robust thanks to ongoing improvement in employment and firm personal consumption. Looking at the printing machinery market, however, despite a modest upturn in capital expenditure for facility upgrades associated with offset printing presses, net sales in this region decreased 7.9% year on year to ¥5,950 million. In September 2017, Komori participated in Print2017, an international printing equipment exhibition held in Chicago, to demonstrate the Impremia IS29—a 29 inch-size sheet-fed inkjet digital printing system. Participation in this event led to active and ongoing business negotiations with potential customers. 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

The European economy enjoyed modest but continued recovery reflecting robust production activities thanks to such factors as rising exports to China. However, the U.K. economy was sluggish amid an ongoing sense of uncertainty about the future outlook despite intermittent progress in Brexit negotiations. Although the falloff in the United Kingdom negatively affected Komori's revenues, net sales in Europe increased 4.4% year on year to ¥11,880 million thanks to the robust euro zone economies.

Greater China

Despite the tightening of government-led environmental regulations and financial supervisory initiatives, which restricted the pace of economic growth, the Greater China's economy enjoyed modest but continued growth thanks to firm personal consumption and rising exports buoyed by the burgeoning global economy. Komori's business performance in the region remained favorable following participation in China Print 2017 (the Beijing International Printing Technology Exhibition) held in May 2017. Specifically, the Company received a number of orders for high-value-added presses capable of performing cost-effective printing operations thanks to sophisticated automation mechanisms. As a result, net sales in this region rose 57.5% year on year to ¥7,674 million.

Other Regions

In Other Regions, the Indian economy has largely returned to normal after the disorder caused by the July 2017 introduction of the Goods and Services Tax (GST). Meanwhile, economies in ASEAN countries maintained gradual growth due to robust domestic demand and exports. Consequently, net sales in Other Regions edged up 0.6% year on year to ¥13,839 million.

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 ¥1,340 million for the first nine months of the fiscal year under review, a turnaround from an operating loss of ¥716 million in the same period of the previous fiscal year. Moreover, the Company posted ordinary income totaling ¥2,412 million. This was thanks in part to the posting of foreign exchange gains totaling ¥731 million, a turnaround from foreign exchange losses of ¥241 million recorded in the same period of the previous fiscal year.

For the first nine months of the fiscal year under review, the Company recorded income before income taxes totaling ¥2,251 million, a turnaround from a loss before income taxes totaling ¥1,021 million posted in the same period of the previous fiscal year. This turnaround was attributable to the absence of an impairment loss of ¥351 million recorded as an extraordinary loss in the third quarter of the previous fiscal year in connection with a manufacturing subsidiary in China, despite the posting of retirement benefit expenses of ¥170 million associated with revisions in retirement benefit systems at a domestic manufacturing subsidiary during the first quarter of the fiscal year under review.

Reflecting these factors, Komori posted profit attributable to owners of the parent totaling ¥1,633 million during the first three quarters. In addition, the introduction of a new U.S.

federal income tax law lowered the statutory corporate tax rate to 21% and led to the reversal of deferred tax assets, reducing their value in the third quarter of the fiscal year under review. Nevertheless, Komori was able to make a dramatic turnaround from the first nine months of the previous fiscal year when net loss attributable to owners of the parent amounted to ¥1,655 million, which 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 December 31, 2017, total assets stood at ¥182,447 million, up ¥2,347 million (1.3%) year on year. Key positive factors contributing to total assets included a ¥3,730 million increase in securities, a ¥2,604 million increase in inventories, a ¥896 million increase in current assets—other and a ¥727 million increase in electronically recorded claims—operating.

Key factors reducing total assets included a ¥4,393 million decrease in cash and deposits; a ¥444 million decrease in property, plant and equipment—other, net; and a ¥428 million decrease in investments and other assets.

Liabilities and Net Assets

Liabilities as of December 31, 2017 were ¥50,380 million, up ¥1,666 million (3.4%) year on year. The key contributors to the increase in liabilities were a ¥733 million increase in current liabilities—other, a ¥437 million increase in electronically recorded obligations—operating, a ¥370 million increase in notes and accounts payable—trade, a ¥360 million increase in short-term loans payable and a ¥357 million increase in noncurrent liabilities—other. The major factor contributing to a decrease in liabilities was a ¥735 million decrease in other provision.

Net assets totaled ¥132,066 million, up ¥680 million (0.5%) year on year. Primary factors lifting net assets included a ¥896 million increase in valuation difference on available-for-sale securities, a ¥322 million increase in foreign currency translation adjustment and a ¥157 million increase in remeasurements of defined benefit plans. The key factor contributing to the decrease in net assets was a ¥695 million decrease in retained earnings.

Equity Ratio

The equity ratio as of December 31, 2017 stood at 72.4%, down 0.6 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 has not revised its previous forecasts disclosed on October 27, 2017.

2. Items Regarding Summary (and Notes) Information

Additional Information

(Explanatory information with regard to the reversal of deferred tax assets in connection with the downward revision of the U.S. statutory corporate income tax rate under the new federal income tax law)

A tax reform law was enacted on December 22, 2017 in the United States. This reduced the statutory tax rate applied to corporations operating in the country from 35% to 21% as of January 1, 2018. In response, Komori has reevaluated the recoverability of its deferred tax assets under the revised tax rate applicable to its U.S. subsidiaries. As a result, deferred tax assets totaling ¥437 million were reclassified as income tax adjustments under debt items.

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

	(In millions of yen)	
	Fiscal 2017	Fiscal 2018
	(March 31, 2017)	December 31, 2017
(ASSETS)		
Current Assets:		
Cash and deposits	40,712	36,318
Notes and accounts receivable	20,065	19,933
Electronically recorded monetary claims	2,026	2,753
Short-term investment securities	18,696	22,427
Merchandise and finished goods	15,589	18,207
Work in process	7,666	7,354
Raw materials and supplies	8,387	8,685
Other	7,240	8,137
Allowance for doubtful accounts	(291)	(259)
Total current assets	120,094	123,557
Noncurrent Assets:		
Property, plant and equipment		
Land	18,194	18,228
Other, net	15,567	15,123
Total property, plant and equipment	33,762	33,352
Intangible assets	2,453	2,176
Investments and other assets	23,789	23,361
Total noncurrent assets	60,005	58,889
Total Assets	180,100	182,447

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

(1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2017	Fiscal 2018
	(March 31, 2017)	(December 31, 2017)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	11,622	11,992
Electronically recorded obligations	6,022	6,459
Short-term loans payable	48	409
Income taxes payable	238	429
Provision for loss on guarantees	325	278
Current portion of bonds	-	10,000
Other provision	1,981	1,246
Other	13,029	13,763
Total current liabilities	33,268	44,578
Noncurrent Liabilities:		
Bonds payable	10,000	-
Net defined benefit liability	3,350	3,349
Provision	147	148
Other	1,946	2,303
Total noncurrent liabilities	15,445	5,801
Total Liabilities	48,713	50,380
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	58,985	58,289
Treasury stock	(5,055)	(5,056)
Total shareholders' equity	129,432	128,736
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	4,469	5,365
Foreign currency translation adjustment	(860)	(538)
Remeasurements of defined benefit plans	(1,655)	(1,497)
Total other comprehensive income	1,953	3,330
Total Net Assets	131,386	132,066
Total Liabilities and Net Assets	180,100	182,447

(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 nine months ended December 31, 2017 and 2016

	(In millions of yen)	
	Fiscal 2017	Fiscal 2018
	(April 1, 2016 to December 31, 2016)	(April 1, 2017 to December 31, 2017)
Net Sales	57,002	63,870
Cost of Sales	38,923	44,011
Reversal of unrealized income on installment sales	3	2
Gross profit	18,081	19,860
Selling, General and Administrative Expenses	18,798	18,520
Operating Income (loss)	(716)	1,340
Non-Operating Income		
Interest income	59	52
Dividends income	222	251
Foreign exchange gains	-	731
Other	299	293
Total non-operating income	581	1,328
Non-Operating Expenses		
Interest expenses	42	47
Foreign exchange losses	241	-
Compensation for damage	144	119
Other	126	89
Total non-operating expenses	555	255
Ordinary income (loss)	(689)	2,412
Extraordinary Income		
Gain on sales of noncurrent assets	48	0
Gain on sales of investment securities	-	29
Total extraordinary income	48	29
Extraordinary Loss		
Loss on sales of noncurrent assets	17	6
Loss on retirement of noncurrent assets	11	13
Impairment loss	351	-
Retirement benefit expenses	-	170
Total extraordinary loss	380	190
Income (loss) before income taxes	(1,021)	2,251
Income taxes-current	(86)	464
Income taxes-deferred	721	153
Total income taxes	634	617
Profit (loss)	(1,655)	1,633
Profit attributable to non-controlling interests	0	-
Profit (loss) attributable to owners of parent	(1,655)	1,633

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Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2017 and 2016

	(In millions of yen)	
	Fiscal 2017	Fiscal 2018
	(April 1, 2016 to December 31, 2016)	(April 1, 2017 to December 31, 2017)
Profit (loss)	(1,655)	1,633
Other comprehensive income		
Valuation difference on available-for-sale securities	1,562	896
Foreign currency translation adjustment	(211)	322
Remeasurements of defined benefit plans, net of tax	268	157
Total other comprehensive income	1,619	1,376
Comprehensive Income (Loss)	(35)	3,010
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	(34)	3,010
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