Results of Operations for the Fiscal Year Ended March 31, 2018
REPORTED BY KOMORI CORPORATION (Japanese GAAP)

May 11, 2018

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Annual General Meeting of Shareholders: June 20, 2018
Payment date of year-end dividend: June 21, 2018
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 2018 (April 1, 2017 to March 31, 2018)

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

	Fiscal year ended March 31, 2018	%	Fiscal year ended March 31, 2017	%
Net sales	94,168	8.7	86,618	(9.1)
Operating income	3,732	118.0	1,712	(74.1)
Ordinary income	4,420	209.1	1,430	(78.0)
Profit attributable to owners of parent	3,074	367.6	657	(89.9)

(Yen)

Basic earnings per share	52.81	10.94
Diluted earnings per share	-	-

(%)

ROE	2.3	0.5
ROA	2.4	0.8
Operating income to net sales ratio	4.0	2.0

Notes:
1. Comprehensive income:
Fiscal year ended March 31, 2018: 3,396 million yen 14.7 %
Fiscal year ended March 31, 2017: 2,960 million yen (10.0) %
2. Share of profit of entities accounted for using equity method:
Fiscal year ended March 31, 2018: -
Fiscal year ended March 31, 2017: -
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, 2018	March 31, 2017
Total assets	182,477	180,100
Total net assets	132,451	131,386
Equity ratio (%)	72.6	73.0
Net assets per share (Yen)	2,274.80	2,256.47

Note:
Equity as of: March 31, 2018: 132,451 million yen
March 31, 2017: 131,386 million yen

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Net cash provided by (used in) operating activities	6,091	(793)
Net cash provided by (used in) investing activities	295	4,261
Net cash provided by (used in) financing activities	(2,340)	(7,669)
Cash and cash equivalents at end of the period	58,826	54,652

2. Dividends

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019 (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)	2,365	2,329	-
Dividend payout ratio (Consolidated) (%)	365.8	75.7	86.3
Ratio of dividends to net assets (Consolidated) (%)	1.8	1.8	-

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2019
(April 1, 2018 to March 31, 2019)

(In millions of yen, rounded down)

	Sixth months ending September 30, 2018	%	Fiscal year ending March 31, 2019	%
Net sales	49,000	14.6	101,000	7.3
Operating income	300	(31.3)	3,100	(17.0)
Ordinary income	300	(76.4)	3,200	(27.6)
Profit attributable to owners of parent	200	(81.9)	2,700	(12.2)
Basic earnings per share (Yen)	3.43	-	46.37	-

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, 2018: 62,292,340 shares
March 31, 2017: 62,292,340 shares
2. Number of treasury stock as of:
March 31, 2018: 4,066,721 shares
March 31, 2017: 4,065,893 shares
3. Average number of shares during the period:
Fiscal year ended March 31, 2018: 58,226,146 shares
Fiscal year ended March 31, 2017: 60,136,812 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.

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 22, 2018. 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

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1. REVIEW OF OPERATIONS AND FINANCIAL CONDITION
(1) Fiscal 2018 Operating Results

(1) *Overview*

During the fiscal year ended March 31, 2018, Europe and the United States enjoyed steady economic recovery due to the overall stability of employment, while China and other emerging Asian economies benefitted from robust exports buoyed by the expansion of the global economy. In Japan, modest economic growth continued thanks to rising exports as well as firm personal consumption backed by robust corporate performance.

Despite these circumstances, the printing industry faced prolonged stagnation in demand for publishing and commercial printing. Demand in these fields has since the early 2000s been negatively affected by the advances in information and communications technology and diversification of media in developed countries. However, demand for package printing, which is essential to the marketing of consumer goods, has been growing firmly in markets worldwide. Meanwhile, markets in newly emerging nations were supported by population growth and the expansion of the middle class, both of which, in turn, led to an upturn in print demand despite the impact of economic fluctuations.

In the printing machinery market, demand in the United Kingdom remained sluggish due to a sense of uncertainty regarding the future outlook of Brexit-related issues. In contrast, demand in other key markets in Europe was firm. In the United States, printing companies remained cautious toward making capital expenditure in offset printing presses due to increasingly diversified printing needs reflecting a prevailing trend toward printing requests involving multiple printing items and small print runs. In China, the ongoing maturation of the economy triggered structural changes in the market, driving a growing number of small- and midsized printing companies from the industry. However, there has been significant growth in demand for automated, labor-saving printing facilities, package printing presses and other high-value-added models thanks to orders from major printing firms. Moreover, China Print 2017 (the Beijing International Printing Technology Exhibition held in May 2017) stimulated business sentiment, leading to recovery in demand for printing machinery. In India—a promising market boasting burgeoning potential second only to China among Asian countries—the Company began seeing a gradual improvement in the volume of orders for printing presses in the fourth quarter of the fiscal year under review, following a temporary stagnation in demand attributable to economic disorder caused by the July 2017 introduction of a new tax law. In Japan, demand for facility upgrades associated with offset printing presses remained stable, thanks to needs for such solutions as those aimed at reducing printing cost and enhancing operational efficiency. Also, the strong performance of electronics parts makers helped increase demand for screen printing presses.

(2) *Consolidated Performance*

Amid this market environment, the Komori Group promoted its Fifth Medium-Term Management Plan (spanning April 2016 to March 2019). During the second year of said plan, Komori stayed committed to pushing forward with 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 as well as the digital printing press (DPS) business and the printed electronics (PE) business. In the security printing press business, Komori strove to secure orders from central banks and private currency printing firms in countries around the globe. Thanks to these efforts, the Bank of England’s new polymer-based £10 notes, printed using Komori facilities, have been circulating following their successful release in September 2017. In the DPS business, efforts have been under way to introduce the Impremia IS29, a sheet-fed digital printing system that accommodates 29-inch paper, into markets in Japan, the United States, Europe and China. This model has garnered a solid reputation for its outstanding printing quality that is comparable to offset printing. In the PE business, Komori entered into an agreement with NextFlex, a U.S. national institute, in December 2017, regarding a collaborative development initiative in which the Company acts as an equipment affiliate of NextFlex to help commercialize new technologies.

To achieve business model innovation in sales activities, Komori demonstrated its cutting-edge offset printing presses and digital printing systems at China Print 2017 (the Beijing International Printing Technology Exhibition held in May 2017). By doing so, the Company helped attendees understand these offerings’ potential to create new business models via the integration of offset and digital printing. At the event, Komori also exhibited its state-of-the-art ICT-based solutions capable of making it easier to check the status of facility utilization and manage printing processes. Moreover, the Company held an open house event titled “KOMORI Packaging Solutions” on the premises of consolidated subsidiary Komori Machinery Co., Ltd. (Higashiokitama-gun, Yamagata Prefecture) in September 2017. Inviting customers from India and Southeast Asian nations, which together represent rapidly emerging economies, Komori demonstrated package printing solutions employing a new model in the LITHRONE G37 line that is specifically optimized for package printing. The Company also showed samples of paper processed using Apressia CT (a post-press paper cutter) to attendees. Komori has thus endeavored to enhance its competitiveness in the package printing market by offering these powerful tools. In these ways, the Company strove to secure greater presence as a Print Engineering Service Provider (PESP) capable of providing comprehensive solutions to satisfy diverse customer needs.

Consequently, orders received in fiscal 2018, ended March 31, 2018, fell 1.4% from fiscal 2017 to ¥88,371 million, while consolidated net sales rose 8.7% year on year to ¥94,168 million. With growth in sales volume and the success of Komori’s cost reduction efforts positively affecting profit, operating income climbed 118.0% from the previous fiscal year to ¥3,732 million. The balance of other income and expenses improved, reflecting the absence of foreign exchange losses totaling ¥516 million recorded in the previous fiscal year as well as the posting of foreign exchange gains amounting to ¥284 million in the fiscal year under review thanks to the depreciation of the yen. As a result, ordinary income rose 209.1% year on year to ¥4,420 million. Looking at extraordinary income and loss, Komori recorded impairment loss of ¥129 million in connection with noncurrent assets, an improvement from the ¥553 million recorded in the previous fiscal year, while posting retirement benefit expenses of ¥170 million associated with revisions in retirement benefit systems. As a result of these and other factors, income before income taxes totaled ¥4,152 million, up 403.8% from fiscal 2017. Profit attributable to owners of the parent totaled ¥3,074 million, up 367.6% year on year, despite the posting of income tax adjustments under debt items totaling ¥433 million in connection with the reclassification of deferred tax assets due to U.S. tax reforms enacted in the fiscal year under review.

Overseas sales totaled ¥55,574 million, up 6.4% from the previous fiscal year, with the ratio of overseas sales to net sales at 59.0%.

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

Consolidated net sales during the fiscal year under review amounted to ¥94,168 million, representing an 8.7% increase 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, 2017	Fiscal year ended March 31, 2018	Increase / (Decrease) (%)
Net sales		86,618	94,168	8.7%
Breakdown	Japan	34,379	38,594	12.3%
	North America	10,124	8,858	(12.5%)
	Europe	16,820	16,019	(4.8%)
	Greater China	7,233	12,929	78.7%
	Other regions	18,060	17,767	(1.6%)

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. In addition, the Company held an open house event at the Komori Graphic Technology Center in July 2017, showcasing its package and commercial printing solutions that incorporate rapid-curing and digital printing systems in an effort to secure orders for such solutions. Consequently, domestic sales grew 12.3% year on year to ¥38,594 million.

North America

Overall market conditions remained favorable in North America thanks to robust employment and higher wages in addition to the positive effect of tax reduction measures and an improvement in corporate earnings. Looking at the printing machinery market, however, capital expenditure for facility upgrades associated with offset printing presses was sluggish, as printing companies remained cautious toward making investments. Amidst these circumstances, Komori participated in Print17, an international printing equipment exhibition held in Chicago, to demonstrate its Impremia IS29, an innovative digital printing system. Despite these marketing efforts, net sales in this region decreased 12.5% compared with the previous fiscal year to ¥8,858 million, with a decline in sales of large-scale web offset presses as the most significant negative factor.

Europe

The European economy enjoyed modest but continued recovery reflecting robust production activities thanks to such factors as rising exports. In contrast, the U.K. economy was sluggish amid an ongoing sense of uncertainty about the future despite intermittent progress in Brexit negotiations. With the falloff in the United Kingdom significantly affecting Komori's revenues, net sales in this region decreased 4.8% year on year to ¥16,019 million.

Greater China

Despite the tightening of government-led environmental regulations and financial supervisory initiatives, which restricted the pace of economic growth, Greater China's economy enjoyed modest but continued growth thanks to firm personal consumption and rising exports buoyed by the burgeoning global economy. With China Print 2017 (the Beijing International Printing Technology Exhibition held in May 2017) stimulating demand, the printing machinery market has seen signs of recovery. To seize opportunities arising from these circumstances, Komori released and strove to secure orders for such products as high-value-added presses capable of satisfying customer needs for labor-saving, automated printing operations as well as the LITHRONE GX40RP, a 37-inch double-sided sheet-fed offset press. As a result, net sales in this region rose 78.7% year on year to ¥12,929 million.

Other Regions

In Other Regions, the Indian economy has largely returned to normal after the disorder caused by the July 2017 introduction of a new tax law. Meanwhile, economies in ASEAN countries maintained gradual growth due to robust domestic demand and exports. Consequently, net sales in Other Regions totaled ¥17,767 million, virtually unchanged year on year, with a slight 1.6% decrease from net sales in the region recorded in the previous fiscal year.

(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 ¥78,873 million, a year-on-year increase of ¥7,166 million, while operating income totaled ¥2,962 million, an increase from ¥437 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 ¥8,879 million, a year-on-year decrease of ¥1,306 million. Operating loss totaled ¥212 million, a turnaround from operating income of ¥75 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 ¥16,583 million, a year-on-year decrease of ¥1,067 million, and operating income totaled ¥520 million, a decrease from ¥672 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 ¥6,265 million, a year-on-year increase of ¥1,199 million. Operating income amounted to ¥182 million, a turnaround from a loss of ¥158 million recorded in the previous fiscal year.

(5) *Highlights*

In the fiscal year ended March 31, 2018, Group highlights were as follows:

In the DPS business, the Impremia IS29, a digital printing system capable of accommodating B2-size paper, was chosen by the Printing Industries of America to receive an InterTech™ Technology Award 2017 thanks to its outstanding printing quality and stability that both meet printing companies' demands. The InterTech™ Technology Award, a prominent industrial award program established in 1978, aims to commend technological breakthroughs that are expected to make a significant impact on the field of graphic arts and other relevant industries. Using this award as a springboard, Komori is determined to step up the marketing of the revolutionary Impremia IS29 digital printing system.

In the PESP business, the Company endeavored to meet diverse needs of printing companies and, to this end, introduced and marketed a range of solutions, including peripheral equipment and supplies as well as maintenance and inspection services. Komori also conducted facility retrofits* while providing customers with training programs undertaken at Komori Graphic Technology Center. In the fiscal year under review, Komori released the following two offerings to provide post-press processing solutions: the Apressia CTX series, a paper cutter incorporating automated sheet-feeding functions; and the Apressia MB series, which automates “blanking,” a separation process that removes the margin from paper sheets processed with die-cutters. With the introduction of these offerings, Komori expanded its lineup of labor-saving solutions.

In addition to nurturing DPS and PESP businesses as key components of Komori’s new businesses, the Company endeavored to strengthen its core offset printing press business by expanding its lineup of the LITHRONE G37, a series of A1-size sheet-fed offset presses, to better serve package printing markets in newly emerging nations with growth potential. Targeting domestic customers, Komori also initiated the marketing of the LITHRONE GX44RP, a 44 inch-size single-pass double-sided sheet-fed offset printing press capable of making a significant improvement in operational efficiency. In China, the Company released the LITHRONE GX40RP, a 37-inch double-sided sheet-fed offset press, and high-value-added presses equipped with automation mechanisms designed to satisfy customer needs for labor-saving operations. Thanks to the introduction of these offerings, Komori reclaimed an increased presence in the Chinese market in terms of the volume of orders from local customers.

* Repairs or upgrades of aging facilities to add new value that is comparable to that of newer, cutting-edge facilities

(2) Fiscal 2018 Financial Condition

Assets, Liabilities and Net Assets

Total assets as of March 31, 2018 stood at ¥182,477 million, an increase of ¥2,377 million compared with the previous fiscal year-end. Liabilities were ¥50,025 million, an increase of ¥1,311 million compared with March 31, 2017, while net assets totaled ¥132,451 million, an increase of ¥1,065 million.

Key positive factors contributing to total assets included a ¥4,216 million increase in notes and accounts receivable—trade, which was attributable to sales growth in the fourth quarter of the fiscal year under review, a ¥2,427 million increase in cash and deposits and a ¥2,001 million increase in short-term investment securities. Key negative factors affecting total assets included a ¥3,841 million decrease in inventories; a ¥947 million decrease in investments and other assets; a ¥991 million decrease in property, plant and equipment; and a ¥381 million decrease in intangible assets.

The primary factors leading to the increase in liabilities were a ¥745 million increase in income taxes payable, a ¥582 million increase in electronically recorded monetary obligations and a ¥628 million increase in notes and accounts payable—trade. The primary factors that reduced liabilities included a ¥633 million decrease in current liabilities—other.

Positive factors contributing to net assets included a ¥3,074 million increase in retained earnings due to the posting of profit attributable to owners of the parent, a ¥265 million increase in remeasurements of defined benefit plans and a ¥154 million increase in valuation difference on available-for-sale securities. Key negative factors included a ¥2,329 million decrease in retained earnings due to the payment of cash dividends and a ¥98 million decrease in the foreign currency translation adjustment.

(3) Fiscal 2018 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, 2018	6,091	295	(2,340)	58,826
Fiscal year ended March 31, 2017	(793)	4,261	(7,669)	54,652
Increase / (Decrease)	6,885	(3,965)	5,329	4,173

Net cash provided by operating activities in the fiscal year ended March 31, 2018 amounted to ¥6,091 million, a turnaround of ¥6,885 million from net cash used in operating activities of ¥793 million in the previous fiscal year. Major cash inflows were a ¥4,158 million decrease in inventories, ¥4,152 million in income before income taxes and ¥1,888 million in depreciation and amortization. Principal cash outflows included a ¥6,173 million increase in notes and accounts receivable—trade and a ¥331 million increase in prepaid expenses.

Net cash provided by investing activities was ¥295 million, a decrease of ¥3,965 million from ¥4,261 million provided by investing activities in the previous fiscal year. Principal cash outflows included a ¥949 million net increase in property, plant and equipment and intangible assets as well as ¥612 million in purchase of investment securities. Main cash inflows included a ¥634 million net decrease in securities.

Net cash used in financing activities totaled ¥2,340 million, down ¥5,329 million from ¥7,669 million used in financing activities in the previous fiscal year. The principal components of cash outflows included the payment of cash dividends amounting to ¥2,329 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, 2019

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 2018 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 72nd Annual General Meeting of Shareholders.

For the fiscal year ending March 31, 2019, 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

Looking at the global economy, modest recovery is expected to continue in such countries as the United States. In the printing industry, demand for high-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, such markets as 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 2019 Komori anticipates recovery in market sentiment backed by overall demand for offset printing presses.

In China in particular, a rise in personnel expenses has prompted needs for high-value-added presses equipped with labor-saving and automated printing functions, leading to an upturn in demand for facility upgrades. In India, the economy has largely returned to normal after disorder caused by the withdrawal of high denomination currency notes and the introduction of a new tax law, with market needs now expected to grow. In Japan, Komori is planning to participate in the IGAS 2018 International Graphic Arts Show scheduled for July 26 to 31, 2018, as part of its marketing efforts. At the event, the Company intends to exhibit printing system solutions designed to facilitate the automation of printing processes via a combination of cutting-edge offset printing presses and digital printing systems as well as post-press equipment. IGAS 2018 is expected to attract a large number of attendees from within Japan and countries around the globe, especially Asian nations. Accordingly, Komori believes that the event will provide printing companies with a stimulus toward capital investment.

For fiscal 2019, Komori will focus on the following policies. In the offset printing press business, the Company will push ahead with the marketing of offerings that target package product users while strengthening its sales and service structure to serve key Asian markets. In particular, Komori will strive to cultivate new demand in India and, to this end, enhance the organizational strength of its local sales network, as the Company made a local distributor in the country a Group subsidiary in April 2018.

In the PESP business, Komori will secure business growth by implementing a variety of initiatives, including global expansion. In addition to establishing an even broader lineup of post-press equipment and preventive maintenance services, the Company will launch the full-scale overseas marketing of K-ink to gain a solid presence as an expendables supplier. Komori will also initiate the marketing of KP-Connect (Komori Solution Cloud) in countries overseas. An innovative cloud-based solution that has been adopted by a growing number of domestic customers, KP-Connect helps collect operational data from printing machinery across the factory, making it easier to oversee the entire printing processes and manage printing quality. Thus, KP-Connect serves as a powerful tool for optimizing facility utilization, enhancing operational efficiency and predicting facility failures. Fully aware that a number of printing companies aim to reduce their dependence on the operational skills of particular individuals, Komori will provide them with these and other IoT-driven solutions to help enhance their operational efficiency and secure stably high printing quality. In these ways, the Company will assist its customers with their pursuit of highly productive and profitable operations.

In the DPS business, Komori will step up the marketing of the Impremia IS29, a digital printing system boasting extremely favorable user reviews. Komori will also promote ink and other expendables to establish a recurring revenue model.

In the security printing press business, the Company will engage in ongoing customer development efforts to raise the volume of orders from new clients.

In the PE business, Komori will focus on the marketing of screen printing presses manufactured by SERIA CORPORATION targeting electronics parts makers at home and abroad. At the same time, the Company will step up alliances with external corporations in an effort to commercialize new manufacturing technologies for such electronics parts as semiconductors by employing ultrafine-line circuit printing methods.

Taking the aforementioned factors into account, the Company anticipates a year-on-year increase in consolidated net sales in step with sales growth in such countries as China and India. On the earnings front, however, Komori forecasts a slight decrease in profit due to such factors as changes in sales by product category and the expected appreciation of the yen.

To better adapt to these circumstances, the Komori Group will, in addition to steadily implementing measures to develop the aforementioned businesses, strive to improve profitability by, for example, utilizing 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, 2019

(In millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019	Increase / (Decrease) (%)
Net sales	94,168	101,000	7.3%
Operating income	3,732	3,100	(17.0%)
Ordinary income	4,420	3,200	(27.6%)
Profit attributable to owners of parent	3,074	2,700	(12.2%)

Forecasts for the fiscal year ending March 31, 2019 are based on the following exchange rate assumptions:

USD 1.00 = ¥105, Euro 1.00 = ¥125

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. 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 ¥433 million were reclassified as income tax adjustments under debt items.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2017	March 31, 2018
(ASSETS)		
Current Assets:		
Cash and deposits	40,712	43,140
Notes and accounts receivable-trade	20,065	24,281
Electronically recorded monetary claims	2,026	2,317
Short-term investment securities	18,696	20,698
Merchandise and finished goods	15,589	11,822
Work in process	7,666	7,518
Raw materials and supplies	8,387	8,460
Current portion of insurance funds	538	207
Deferred tax assets	4,795	4,636
Other	1,906	2,085
Allowance for doubtful accounts	(291)	(377)
Total current assets	120,094	124,791
Noncurrent Assets:		
Property, plant and equipment		
Buildings and structures	31,775	32,023
Accumulated depreciation	(20,950)	(21,677)
Buildings and structures, net	10,825	10,346
Machinery, equipment and vehicles	19,590	18,428
Accumulated depreciation	(15,867)	(14,984)
Machinery, equipment and vehicles, net	3,723	3,443
Land	18,194	18,063
Construction in progress	17	53
Other	7,078	7,046
Accumulated depreciation	(6,076)	(6,182)
Other, net	1,002	864
Total property, plant and equipment	33,762	32,771
Intangible assets	2,453	2,071
Investments and other assets		
Investment securities	14,056	12,692
Deferred tax assets	1,543	1,342
Insurance funds	6,040	6,363
Net defined benefit asset	1,000	1,151
Other	1,348	1,389
Allowance for doubtful accounts	(199)	(96)
Total investments and other assets	23,789	22,842
Total noncurrent assets	60,005	57,685
Total Assets	180,100	182,477

(1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2017	March 31, 2018
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable-trade	11,622	12,251
Electronically recorded obligations-operating	6,022	6,604
Short-term loans payable	48	198
Current portion of bonds	-	10,000
Income taxes payable	238	984
Provision for bonuses	1,034	1,086
Provision for product warranties	859	996
Provision for loss on guarantees	325	242
Provision for directors' bonuses	30	40
Provision for business structure improvement	57	-
Deferred installment income	46	42
Other	12,983	12,350
Total current liabilities	33,268	44,796
Noncurrent Liabilities:		
Bonds payable	10,000	-
Deferred tax liabilities	1,234	1,358
Provision for directors' retirement benefits	26	29
Provision for loss on litigation	110	110
Net defined benefit liability	3,350	3,145
Other	723	585
Total noncurrent liabilities	15,445	5,228
Total Liabilities	48,713	50,025
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	58,985	59,730
Treasury stock	(5,055)	(5,057)
Total shareholders' equity	129,432	130,177
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	4,469	4,623
Foreign currency translation adjustment	(860)	(959)
Remeasurements of defined benefit plans	(1,655)	(1,389)
Total other comprehensive income	1,953	2,274
Total Net Assets	131,386	132,451
Total Liabilities and Net Assets	180,100	182,477

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

Consolidated Statements of Income

(In millions of yen)

	Fiscal 2017 (April 1, 2016 to March 31, 2017)	Fiscal 2018 (April 1, 2017 to March 31, 2018)
Net Sales	86,618	94,168
Cost of Sales	59,139	64,882
Reversal of unrealized income on installment sales	4	3
Gross profit	27,483	29,289
Selling, General and Administrative Expenses	25,771	25,556
Operating income	1,712	3,732
Non-Operating Income		
Interest income	78	71
Dividends income	236	264
Foreign exchange gains	-	284
Other	420	435
Total non-operating income	735	1,056
Non-Operating Expenses		
Interest expenses	58	67
Compensation for damage	245	139
Foreign exchange losses	516	-
Other	198	161
Total non-operating expenses	1,018	368
Ordinary income	1,430	4,420
Extraordinary Income		
Gain on sales of noncurrent assets	39	31
Gain on sales of investment securities	-	29
Total extraordinary income	39	60
Extraordinary Loss		
Loss on sales of noncurrent assets	19	7
Loss on retirement of noncurrent assets	14	21
Impairment loss	553	129
Provision for business structure improvement	57	-
Retirement benefit expenses	-	170
Total extraordinary loss	644	328
Income before income taxes	824	4,152
Income taxes-current	121	940
Income taxes-deferred	45	137
Total income taxes	166	1,078
Income before minority interests	658	3,074
Profit attributable to non-controlling interests	0	-
Profit attributable to owners of parent	657	3,074

Consolidated Statements of Comprehensive Income

(In millions of yen)

	Fiscal 2017 (April 1, 2016 to March 31, 2017)	Fiscal 2018 (April 1, 2017 to March 31, 2018)
Profit	658	3,074
Other comprehensive income		
Valuation difference on available-for-sale securities	1,805	154
Foreign currency translation adjustment	(479)	(98)
Remeasurements of defined benefit plans, net of tax	977	265
Total other comprehensive income	2,302	321
Comprehensive Income	2,960	3,396
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,961	3,396
Comprehensive income attributable to non-controlling interests	(1)	-

(3) Consolidated Statements of Changes in Net Assets

(In millions of yen)

	Fiscal 2017 (April 1, 2016 to March 31, 2017)	Fiscal 2018 (April 1, 2017 to March 31, 2018)
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	37,788
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	37,788	37,788
Retained earnings		
Balance at the beginning of current period	65,669	58,985
Changes of items during the period		
Dividends from surplus	(2,440)	(2,329)
Profit attributable to owners of parent	657	3,074
Retirement of treasury stocks	(4,901)	-
Total changes of items during the period	(6,684)	745
Balance at the end of current period	58,985	59,730
Treasury stock		
Balance at the beginning of current period	(4,956)	(5,055)
Changes of items during the period		
Purchase of treasury stocks	(5,001)	(1)
Disposal of treasury stocks	-	0
Retirement of treasury stocks	4,901	-
Total changes of items during the period	(99)	(1)
Balance at the end of current period	(5,055)	(5,057)
Total shareholders' equity		
Balance at the beginning of current period	136,225	129,432
Changes of items during the period		
Dividends from surplus	(2,440)	(2,329)
Profit attributable to owners of parent	657	3,074
Purchase of treasury stocks	(5,001)	(1)
Disposal of treasury stocks	-	0
Retirement of treasury stocks	-	-
Net changes of items other than shareholders' equity	-	-
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	(8)	-
Total changes of items during the period	(6,792)	744
Balance at the end of current period	129,432	130,177

(3) Consolidated Statements of Changes in Net Assets

(In millions of yen)

	Fiscal 2017 (April 1, 2016 to March 31, 2017)	Fiscal 2018 (April 1, 2017 to March 31, 2018)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	2,664	4,469
Changes of items during the period		
Net changes of items other than shareholders' equity	1,805	154
Total changes of items during the period	1,805	154
Balance at the end of the period	4,469	4,623
Foreign currency translation adjustment		
Balance at the beginning of the period	(380)	(860)
Changes of items during the period		
Net changes of items other than shareholders' equity	(479)	(98)
Total changes of items during the period	(479)	(98)
Balance at the end of the period	(860)	(959)
Remeasurements of defined benefit plans		
Balance at the beginning of the period	(2,632)	(1,655)
Changes of items during the period		
Net changes of items other than shareholders' equity	977	265
Total changes of items during the period	977	265
Balance at the end of the period	(1,655)	(1,389)
Total accumulated other comprehensive income		
Balance at the beginning of the period	(348)	1,953
Changes of items during the period		
Net changes of items other than shareholders' equity	2,302	321
Total changes of items during the period	2,302	321
Balance at the end of the period	1,953	2,274
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)	-
Total changes of items during the period	(14)	-
Balance at the end of the period	-	-
Total Net Assets		
Balance at the beginning of the period	135,890	131,386
Changes of items during the period		
Dividends from surplus	(2,440)	(2,329)
Profit attributable to owners of parent	657	3,074
Purchase of treasury stocks	(5,001)	(1)
Disposal of treasury stocks	-	0
Retirement of treasury stocks	-	-
Net changes of items other than shareholders' equity	2,288	321
Change in treasury stocks of parent arising from transactions with non-controlling shareholders	(8)	-
Total changes of items during the period	(4,504)	1,065
Balance at the end of the period	131,386	132,451

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	Fiscal 2017 (April 1, 2016 to March 31, 2017)	Fiscal 2018 (April 1, 2017 to March 31, 2018)
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes	824	4,152
Depreciation and amortization	2,132	1,888
Impairment loss	553	129
Amortization of goodwill	151	152
Increase (decrease) in allowance for doubtful accounts	75	(22)
Increase (decrease) in provision for bonuses	(19)	52
Increase (decrease) in net defined benefit liability	157	(46)
Interest and dividends income	(315)	(336)
Interest expenses	58	67
Foreign exchange losses (gains)	287	(195)
Decrease (increase) in notes and accounts receivable-trade	(4,632)	(6,173)
Decrease (increase) in inventories	11	4,158
Increase (decrease) in notes and accounts payable-trade	(1,297)	1,341
Decrease (increase) in prepaid expenses	338	(331)
Increase (decrease) in deposits received	(8)	502
Increase (decrease) in accrued consumption taxes	248	125
Other, net	433	261
Subtotal	(1,001)	5,727
Interest and dividends income received	319	337
Interest expenses paid	(58)	(67)
Income taxes paid	(53)	94
Net cash provided by (used in) operating activities	(793)	6,091
Net Cash Provided by (Used in) Investing Activities:		
Net decrease (increase) in short-term investment securities	2,984	1,835
Payments into time deposits	(54)	(2,932)
Proceeds from withdrawal of time deposits	2,138	2,913
Purchase of property, plant and equipment and intangible assets	(1,518)	(1,117)
Proceeds from sales of property, plant and equipment and intangible assets	51	168
Purchase of insurance funds	(602)	(187)
Proceeds from maturity of insurance funds	599	188
Purchase of investment securities	(144)	(612)
Proceeds from sales of investment securities	498	115
Purchase of long-term prepaid expenses	(0)	(1)
Other payments	(30)	(3)
Other proceeds	339	(70)
Net cash provided by (used in) investing activities	4,261	295
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	118	143
Repayment of long-term loans payable	(126)	-
Repayments of lease obligations	(197)	(154)
Purchase of treasury stocks	(5,001)	(1)
Cash dividends paid	(2,440)	(2,329)
Proceeds from sales of treasury stock	-	0
Net cash provided by (used in) financing activities	(7,669)	(2,340)
Effect of exchange rate change on cash and cash equivalents	(284)	126
Net increase (decrease) in cash and cash equivalents	(4,487)	4,173
Cash and cash equivalents at beginning of the period	59,140	54,652
Cash and cash equivalents at end of the period	54,652	58,826

(5) Notes to Consolidated Financial Statements

(Notes on Premise as a Going Concern)

Not applicable.

(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 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.

Fiscal 2018 (April 1, 2017 to March 31, 2018)

(In millions of yen)

	Reportable Segment				Others (Note)	Total
	Japan	North America	Europe	Subtotal		
Net sales						
Sales to outside customers	64,438	8,858	16,019	89,316	4,852	94,168
Intersegment sales	14,435	20	563	15,020	1,413	16,433
Total	78,873	8,879	16,583	104,336	6,265	110,601
Operating income (loss)	2,962	(212)	520	3,271	182	3,454
Assets	160,285	6,665	12,312	179,263	3,275	182,538
Other items						
Depreciation	1,655	22	148	1,827	61	1,888
Impairment loss	129	-	-	129	-	129
Amortization of goodwill	152	-	-	152	-	152
Increase of property, plant and equipment and intangible assets	1,098	57	125	1,281	16	1,297

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 2017	Fiscal 2018
Total net sales in reportable segments	99,544	104,336
Net sales in others	5,065	6,265
Eliminations	(17,991)	(16,433)
Net sales as presented in Consolidated Financial Statements	86,618	94,168

(In millions of yen)

Operating Income (Loss)	Fiscal 2017	Fiscal 2018
Total operating income in reportable segments	1,185	3,271
Operating income (loss) in others	(158)	182
Adjustments for inventories	587	178
Eliminations	97	100
Other adjustments	0	(0)
Operating income as presented in Consolidated Financial Statements	1,712	3,732

5. Information Concerning Impairment 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 2017 (April 1, 2016 to March 31, 2017)

(In millions of yen)

	Reportable Segment				Others	Total
	Japan	North America	Europe	Subtotal		
Balance 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*.

Fiscal 2018 (April 1, 2017 to March 31, 2018)

(In millions of yen)

	Reportable Segment				Others	Total
	Japan	North America	Europe	Subtotal		
Balance as of the end of fiscal 2018	506	-	-	506	-	506

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

(Per Share Information)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net assets per share	2,256.47	2,274.80
Basic earnings per share	10.94	52.81

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, 2017 and 2018.

Basis for Calculation

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

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	657	3,074
Amount not available to common stockholders (millions of yen)	-	-
Profit attributable to owners of parent pertaining to common stock (millions of yen)	657	3,074
Average number of shares of common stock outstanding during the year (thousands of shares)	60,136	58,226

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

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net assets (millions of yen)	131,386	132,451
Net assets pertaining to common stock (millions of yen)	131,386	132,451
Number of shares of common stock outstanding (thousands of shares)	58,226	58,225

(Important Subsequent Events)

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

Not applicable.

Fiscal 2018 (April 1, 2017 to March 31, 2018)

Not applicable.

5. OTHER

(1) Changes in Directors and Corporate Auditors

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, 2018.

(1) Changes in Directors

(Candidate for new appointment)

Kenji Sekine (Currently a corporate advisor for Terumo Corporation)

Note: Mr. Sekine is a candidate for outside director as stipulated under Article 2-15 of the Japanese Corporate Code.

(Planned retirement)

Kazunori Saito (Currently Director and Managing Operating Officer in charge of the Tsukuba Plant)

(2) Changes in Corporate Auditors

Not applicable.