

Consolidated Business Results for the Three Months Ended June 30, 2018 **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 First Quarter (April 1, 2018 to June 30, 2018)

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

	Three months ended June 30, 2018	%	Three months ended June 30, 2017	%
Net sales	15,969	(0.9)	16,114	8.3
Operating income (loss)	(1,349)	-	(894)	-
Ordinary income (loss)	(1,173)	-	(464)	-
Profit (loss) attributable to owners of parent	(1,192)	-	(497)	-

(Yen)

Basic earnings (loss) per share	(20.49)	(8.54)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Three months ended June 30, 2018: (1,645) million yen - %

Three months ended June 30, 2017: (99) 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)

	June 30, 2018	March 31, 2018
Total assets	180,610	181,199
Total net assets	129,650	132,451
Equity ratio (%)	71.8	73.1

Reference:

Equity as of: June 30, 2018: 129,650 million yen

March 31, 2018: 132,451 million yen

2. Dividends

(Yen)

	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019	Fiscal year ending March 31, 2019 (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 2018: None

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)

	Six months ending September 30, 2018	%	Fiscal year ending March 31, 2019	%
Net sales	43,500	1.7	101,000	7.3
Operating income	100	(77.1)	3,100	(17.0)
Ordinary income	200	(84.3)	3,200	(27.6)
Profit attributable to owners of parent	100	(90.9)	2,700	(12.2)
		(Yen)		
Basic earnings per share	1.72		46.37	

Notes:

1. Revision to the latest forecast of consolidated business results announced in May 2018: Yes
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:

June 30, 2018:	62,292,340 shares
March 31, 2018:	62,292,340 shares
2. Number of treasury shares as of:

June 30, 2018:	4,066,741 shares
March 31, 2018:	4,066,721 shares
3. Average number of shares during the period

Three months ended June 30, 2018:	58,225,609 shares
Three months ended June 30, 2017:	58,226,438 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 August 7, 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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Qualitative Information Regarding the Quarterly Financial Results

(1) Overview of Consolidated Business Results

Consolidated net sales during the first three months of the fiscal year under review amounted to ¥15,969 million, representing a 0.9% decrease from the same period of the previous fiscal year. An overview of consolidated net sales by region is set out below.

Overview of Consolidated Net Sales by Region

(In millions of yen)

		Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Increase / (Decrease) (%)
Net sales		16,114	15,969	(0.9)
Breakdown	Japan	5,029	6,377	26.8
	North America	922	888	(3.6)
	Europe	3,531	3,011	(14.7)
	Greater China	1,832	3,203	74.8
	Other Regions	4,798	2,488	(48.1)

Domestic Sales

The Japanese economy enjoyed continued recovery backed by robust exports and solid corporate earnings. Buoyed by firm printing machinery demand in Japan, domestic net sales grew 26.8% year on year to ¥6,377 million. At the beginning of the quarter, in April 2018, Komori participated in Japan Print 2018 ICT and Print Exhibition at MYDOME OSAKA. At this event, Komori invited attendees to operate KP-Connect (KOMORI SOLUTION CLOUD) via touch screen terminals, with the aim of helping them understand how Komori's solutions connect the entire printing processes, make it easier to check operational status, promote automated printing and reduce the burden on frontline printing operators. Komori also gave presentations on examples of the successful introduction of the Impremia IS29 digital printing system. Furthermore, the Company exhibited K-Supply products, which are designed to help maintain stable operations and high printing quality, while demonstrating Apressia series equipment supporting post-press processing. Komori thus strove to secure orders by making a variety of proposals on printing solutions.

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North America

In North America, continuous improvement in employment and robust personal consumption backed by an income tax cut helped the economy grow steadily. Consequently, net sales in this region were virtually unchanged year on year on a local currency basis. However, net sales on the yen basis decreased 3.6% year on year to ¥888 million due to the effect of foreign exchange rates.

Europe

European economies remained robust. Printing machinery demand during the three months ended June 30, 2018, however, was negatively affected in France due to a recoil from significant sales growth in the first three months of the previous fiscal year resulting from tax benefit policies aimed at facilitating capital expenditure. Moreover, demand in the United Kingdom was also sluggish due to a sense of uncertainty over the prolonged Brexit negotiations. Consequently, net sales in this region decreased 14.7% compared with the same period of the previous fiscal year to ¥3,011 million.

Greater China

In Greater China, burgeoning personal consumption backed by higher wages supported gradual economic growth despite the slowdown of expansion in exports. Moreover, Komori benefited from growing demand for facility upgrades among printing companies, with some planning factory relocations aimed at securing responsiveness to environmental regulations and others seeking solutions that realize high-value-added printing services and labor-saving operations. Consequently, net sales in this region increased 74.8% year on year to ¥3,203 million.

Other Regions

In Other Regions, the Indian economy saw signs of recovery after having returned to normal following the disorder caused by the withdrawal of high denomination currency in November 2016 and the introduction of the Goods and Services Tax (GST) in July 2017. Also, ASEAN countries continued to enjoy overall economic growth. Orders received during the three months ended June 30, 2018 were on par with orders received in the first three months of the previous fiscal year. However, net sales in Other Regions decreased 48.1% year on year to ¥2,488 million. This was attributable to year-on-year decline in sales of security printing presses due to fewer major currency printing press supply projects up for bidding during the fiscal year ended March 31, 2018.

Turning to expenses, the cost of sales ratio grew year on year due to such factors as the effect of foreign exchange rate fluctuations and changes in sales by product category. The ratio of selling, general and administrative (SG&A) expenses to net sales was up year on year due mainly to growth in research and development expenses. As a result, the Company posted operating loss of ¥1,349 million for the first three months of the fiscal year under review, compared with operating loss of ¥894 million in the same period of the previous fiscal year.

The Company posted an ordinary loss totaling ¥1,173 million, compared with ordinary loss of ¥464 million in the same period of the previous fiscal year. This was due in part to the posting of foreign exchange losses totaling ¥23 million, a turnaround from foreign exchange gains of ¥336 million recorded in the same period of the previous fiscal year.

For the first three months of the fiscal year under review, the Company recorded a loss before income taxes totaling ¥1,197 million, compared with a loss before income taxes totaling ¥608 million posted in the same period of the previous fiscal year, which included retirement benefit expenses of ¥170 million in connection with revisions in retirement benefit systems at a domestic manufacturing subsidiary. Reflecting these factors, Komori posted a net loss attributable to owners of the parent totaling ¥1,192 million, compared with net loss attributable to owners of the parent totaling ¥497 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of June 30, 2018, total assets stood at ¥180,610 million, down ¥589 million (0.3%) year on year. Key negative factors leading to this decrease included a ¥9,010 million decrease in notes and accounts receivable—trade and a ¥487 million decrease in property, plant and equipment. Key positive factors contributing to total assets were a ¥5,222 million increase in inventories, a ¥1,944 million increase in cash and deposits, a ¥1,379 million increase in current assets—other and a ¥593 million increase in short-term investment securities.

Liabilities and Net Assets

Liabilities as of June 30, 2018 were ¥50,960 million, up ¥2,212 million (4.5%) year on

year. The key contributors to this increase were a ¥1,766 million increase in notes and accounts payable—trade, a ¥1,057 million increase in electronically recorded monetary obligations, a ¥558 million increase in current liabilities—other and a ¥392 million increase in short-term loans payable. Key negative factors impacting liabilities included a ¥771 million decrease in other provisions and a ¥607 million decrease in income taxes payable.

Net assets totaled ¥129,650 million, down ¥2,801 million (2.1%) year on year. Primary negative factors leading to this decrease included a ¥2,348 million decrease in retained earnings and ¥561 million decrease in valuation difference on available-for-sale securities. Primary positive factors contributing to net assets included a ¥85 million increase in foreign currency translation adjustment.

Equity Ratio

The equity ratio as of June 30, 2018 stood at 71.8%, down 1.3 percentage points from 73.1% at the end of the previous fiscal year.

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

In light of such factors as the operating results for the three months ended June 30, 2018, the Company made revisions to the performance forecasts it disclosed on May 11, 2018 with regard to operating results for the six months ending September 30, 2018.

The full-year operating results forecasts for the fiscal year ending March 31, 2019 remain unchanged from the previously announced forecasts.

For more details, please also see the August 2, 2018 press release titled “Komori Corporation Announces Revised Operating Results Forecasts for the Six Months Ending September 30, 2018.”

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

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(March 31, 2018)	(June 30, 2018)
(ASSETS)		
Current Assets:		
Cash and deposits	43,140	45,084
Notes and accounts receivable	24,281	15,271
Electronically recorded monetary claims	2,317	2,364
Short-term investment securities	20,698	21,292
Merchandise and finished goods	11,822	14,458
Work in process	7,518	9,858
Raw materials and supplies	8,460	8,706
Other	2,293	3,672
Allowance for doubtful accounts	(377)	(337)
Total current assets	120,155	120,371
Noncurrent Assets:		
Property, plant and equipment		
Land	18,063	18,031
Other, net	14,707	14,252
Total property, plant and equipment	32,771	32,283
Intangible assets	2,071	2,014
Investments and other assets	26,201	25,940
Total noncurrent assets	61,044	60,238
Total Assets	181,199	180,610

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

(1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(March 31, 2018)	(June 30, 2018)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	12,251	14,018
Electronically recorded obligations	6,604	7,661
Short-term loans payable	198	590
Current portion of bonds	10,000	10,000
Income taxes payable	984	377
Provision for loss on guarantees	242	203
Other provision	2,123	1,352
Other	12,392	12,951
Total current liabilities	44,796	47,154
Noncurrent Liabilities:		
Net defined benefit liability	3,145	3,031
Provision	150	140
Other	655	633
Total noncurrent liabilities	3,951	3,805
Total Liabilities	48,748	50,960
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	59,730	57,382
Treasury stock	(5,057)	(5,057)
Total shareholders' equity	130,177	127,828
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	4,623	4,062
Foreign currency translation adjustment	(959)	(874)
Remeasurements of defined benefit plans	(1,389)	(1,366)
Total other comprehensive income	2,274	1,821
Total Net Assets	132,451	129,650
Total Liabilities and Net Assets	181,199	180,610

(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 three months ended June 30, 2018 and 2017

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(April 1, 2017 to June 30, 2017)	(April 1, 2018 to June 30, 2018)
Net Sales	16,114	15,969
Cost of Sales	11,227	11,301
Reversal of unrealized income on installment sales	0	0
Gross profit	4,887	4,669
Selling, General and Administrative Expenses	5,782	6,018
Operating loss	(894)	(1,349)
Non-Operating Income		
Interest income	16	20
Dividends income	154	151
Foreign exchange gains	336	-
Other	107	85
Total non-operating income	615	258
Non-Operating Expenses		
Interest expenses	15	14
Loss on sales of notes receivable	9	25
Foreign exchange losses	-	23
Compensation for damage	134	11
Other	25	7
Total non-operating expenses	184	82
Ordinary loss	(464)	(1,173)
Extraordinary Income		
Gain on sales of noncurrent assets	-	0
Gain on sales of investment securities	29	-
Total extraordinary income	29	0
Extraordinary Loss		
Loss on sales of noncurrent assets	-	24
Loss on retirement of noncurrent assets	2	0
Retirement benefit expenses	170	-
Total extraordinary loss	172	24
Loss before income taxes	(608)	(1,197)
Income taxes-current	151	213
Income taxes-deferred	(262)	(218)
Total income taxes	(110)	(4)
Loss	(497)	(1,192)
Loss attributable to owners of parent	(497)	(1,192)

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Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2018 and 2017

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(April 1, 2017 to June 30, 2017)	(April 1, 2018 to June 30, 2018)
Loss	(497)	(1,192)
Other comprehensive income		
Valuation difference on available-for-sale securities	221	(561)
Foreign currency translation adjustment	109	85
Remeasurements of defined benefit plans, net of tax	67	23
Total other comprehensive income	398	(453)
Comprehensive Income (Loss)	(99)	(1,645)
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	(99)	(1,645)

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(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

(Additional Information)

The Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.

In the first three months of the fiscal year under review, Komori adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, dated February 16, 2018).

In line with this standard, deferred tax assets are classified under total investments and advances, while deferred tax liabilities are classified under noncurrent liabilities.