

# **Consolidated Business Results for the Six Months Ended September 30, 2018** **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

October 29, 2018

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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 Second Quarter (April 1, 2018 to September 30, 2018)**

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

	Six months ended September 30, 2018	%	Six months ended September 30, 2017	%
Net sales	40,225	(6.0)	42,773	26.0
Operating income (loss)	(258)	-	436	-
Ordinary income	95	(92.5)	1,270	-
Profit (loss) attributable to owners of parent	(150)	-	1,102	-

(Yen)

Basic earnings (loss) per share	(2.58)	18.93
Diluted earnings per share	-	-

Notes:

### 1. Comprehensive income (loss):

Six months ended September 30, 2018: (390) million yen - %

Six months ended September 30, 2017: 1,923 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, 2018	March 31, 2018
Total assets	181,647	181,199
Total net assets	130,905	132,451
Equity ratio (%)	72.1	73.1

Reference:

Equity as of: September 30, 2018: 130,905 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)

	Fiscal year ending March 31, 2019	%
Net sales	93,000	(1.2)
Operating income	1,500	(59.8)
Ordinary income	1,800	(59.3)
Profit attributable to owners of parent	1,100	(64.2)
(Yen)		
Basic earnings per share	18.89	

Notes:

1. Revision to the latest forecast of consolidated business results announced in October 2018: 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, 2018:	62,292,340 shares
March 31, 2018:	62,292,340 shares
2. Number of treasury shares as of:
 

September 30, 2018:	4,066,876 shares
March 31, 2018:	4,066,721 shares
3. Average number of shares during the period
 

Six months ended September 30, 2018:	58,225,564 shares
Six months ended September 30, 2017:	58,226,377 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, 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](http://www.komori.com/contents_com/ir/index.htm)

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## 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 ¥40,225 million, representing a 6.0% 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)

		Six Months Ended September 30, 2017	Six Months Ended September 30, 2018	Increase / (Decrease) (%)
Net sales		42,773	40,225	(6.0)
Breakdown	Japan	16,513	16,168	(2.1)
	North America	4,327	2,971	(31.3)
	Europe	7,566	7,170	(5.2)
	Greater China	5,029	8,751	74.0
	Other Regions	9,336	5,163	(44.7)

#### *Domestic Sales*

The Japanese economy enjoyed continued recovery backed by improvement in employment and robust exports. Although domestic net sales edged down 2.1% year on year to ¥16,168 million, orders received during the first six months of the fiscal year were solid and in excess of orders received during the same period of the previous fiscal year. In addition, Komori participated in the IGAS 2018 International Graphic Arts Show held in July 2018 at Tokyo Big Sight. At the event, the Company exhibited a total of ten printing presses and peripheral equipment connected via KP-Connect, a cloud-based solution that makes it easier to check the status of printing processes and helps promote automated printing operations. Aiming to secure orders from the attendees, Komori thus demonstrated its solutions aimed at creating a smart factory through the transmission of job data and consolidated management of each printing process.

#### *North America*

In North America, continuous improvement in employment and robust personal consumption backed by an income tax cut helped the economy grow steadily. However, despite year-on-year growth in sales of consumable supplies and maintenance services,

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net sales in this region were down 31.3% year on year to ¥2,971 million, with printing companies taking a cautious approach to investment in offset printing presses, reflecting an ongoing trend toward digital investment.

### ***Europe***

European economies remained robust, backed by strong domestic demand. However, demand for printing machinery was stagnant. This was due in part to recoil from significant sales growth in the second quarter of the previous fiscal year resulting from tax benefit policies executed in France to facilitate capital expenditure. Moreover, a sense of uncertainty over the Brexit negotiations negatively affected demand for printing machinery. Consequently, net sales in this region decreased 5.2% compared with the same period of the previous fiscal year to ¥7,170 million.

### ***Greater China***

In Greater China, burgeoning personal consumption backed by improving employment conditions supported gradual economic growth, despite the negative impact of U.S.-China trade tension, which dampened the pace of economic growth. Moreover, Komori benefited from steadily firm 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 74.0% year on year to ¥8,751 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. On the other hand, gradual increases in U.S. interest rates triggered the depreciation of currencies in emerging nations, which, in turn, negatively affected Komori's business performance. Furthermore, six-month sales were down year on year as only a handful currency printing press supply projects came up for bidding in the previous fiscal year. As a result, net sales in Other Regions decreased 44.7% compared with the same period of the previous fiscal year to ¥5,163 million.

Turning to expenses, the cost of sales ratio declined year on year due to such factors as 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 corporate spending on advertising and personnel expenses. As a result, the Company posted operating loss of ¥258 million for the first six months of the fiscal year under review, compared with operating income of ¥436 million in the same period of the previous fiscal year.

The Company posted ordinary income totaling ¥95 million, compared with ordinary income of ¥1,270 million in the same period of the previous fiscal year. This was due in part to a significant decrease in foreign exchange gains from ¥614 million recorded in the same period of the previous fiscal year to ¥183 million recorded in the first six months of the fiscal year under review.

For the first six months of the fiscal year under review, the Company recorded income before income taxes totaling ¥66 million, a decrease from income before income taxes totaling ¥1,121 million posted in the same period of the previous fiscal year, despite the absence of retirement benefit expenses of ¥170 million recorded in the first half of the previous fiscal year in connection with revisions to retirement benefit systems at a domestic manufacturing subsidiary. Reflecting these factors, Komori posted a net loss attributable to owners of the parent totaling ¥150 million, compared with net income attributable to owners of the parent totaling ¥1,102 million in the same period of the previous fiscal year.

## **(2) Financial Condition**

### **Total Assets**

As of September 30, 2018, total assets stood at ¥181,647 million, up ¥447 million (0.2%) from the end of the previous fiscal year. Key positive factors contributing to the increase in total assets were a ¥5,922 million increase in inventories, a ¥1,206 million increase in cash and deposits and a ¥745 million increase in short-term investment securities. Key negative factors affecting total assets included a ¥6,867 million decrease in notes and accounts receivable—trade and a ¥647 million decrease in property, plant and equipment.

### **Liabilities and Net Assets**

Liabilities as of September 30, 2018 were ¥50,741 million, up ¥1,993 million (4.1%) from the end of the previous fiscal year. The key contributors to this increase were a

¥1,873 million increase in electronically recorded monetary obligations, a ¥1,171 million increase in notes and accounts payable—trade and a ¥458 million increase in short-term loans payable. Key negative factors impacting liabilities included a ¥783 million decrease in current liabilities—other and a ¥432 million decrease in income taxes payable.

Net assets totaled ¥130,905 million, down ¥1,546 million (1.2%) from the end of the previous fiscal year. Primary negative factors leading to this decrease included a ¥1,305 million decrease in retained earnings and a ¥604 million decrease in valuation difference on available-for-sale securities. Primary positive factors contributing to net assets included a ¥302 million increase in foreign currency translation adjustment.

### **Equity Ratio**

The equity ratio as of September 30, 2018 stood at 72.1%, down 1.0 percentage point from 73.1% at the end of the previous fiscal year.

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

On October 26, 2018, the Company made revisions to the performance forecasts it disclosed on May 11, 2018 with regard to the full-year operating results forecasts for the fiscal year ending March 31, 2019.

For more details, please also see the October 26, 2018 press release titled “Komori Corporation Announces Revised Operating Results Forecasts.”

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

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(March 31, 2018)	September 30, 2018
<b>(ASSETS)</b>		
<b>Current Assets:</b>		
Cash and deposits	43,140	44,347
Notes and accounts receivable	24,281	17,413
Electronically recorded monetary claims	2,317	2,068
Short-term investment securities	20,698	21,443
Merchandise and finished goods	11,822	15,704
Work in process	7,518	9,141
Raw materials and supplies	8,460	8,877
Other	2,293	2,996
Allowance for doubtful accounts	(377)	(322)
Total current assets	120,155	121,670
<b>Noncurrent Assets:</b>		
Property, plant and equipment		
Land	18,063	18,037
Other, net	14,707	14,086
Total property, plant and equipment	32,771	32,124
Intangible assets	2,071	1,924
Investments and other assets	26,201	25,928
Total noncurrent assets	61,044	59,976
<b>Total Assets</b>	<b>181,199</b>	<b>181,647</b>

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**(1) Consolidated Balance Sheets**

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(March 31, 2018)	September 30, 2018
<b>(LIABILITIES)</b>		
<b>Current Liabilities:</b>		
Notes and accounts payable	12,251	13,423
Electronically recorded obligations	6,604	8,477
Short-term loans payable	198	656
Current portion of bonds	10,000	10,000
Income taxes payable	984	552
Provision for loss on guarantees	242	212
Other provision	2,123	2,088
Other	12,392	11,609
Total current liabilities	44,796	47,020
<b>Noncurrent Liabilities:</b>		
Net defined benefit liability	3,145	2,965
Provision	150	139
Other	655	616
Total noncurrent liabilities	3,951	3,721
<b>Total Liabilities</b>	<b>48,748</b>	<b>50,741</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' Equity:</b>		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	59,730	58,425
Treasury stock	(5,057)	(5,057)
Total shareholders' equity	130,177	128,871
<b>Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	4,623	4,019
Foreign currency translation adjustment	(959)	(656)
Remeasurements of defined benefit plans	(1,389)	(1,328)
Total other comprehensive income	2,274	2,034
<b>Total Net Assets</b>	<b>132,451</b>	<b>130,905</b>
<b>Total Liabilities and Net Assets</b>	<b>181,199</b>	<b>181,647</b>

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

For the six months ended September 30, 2018 and 2017

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(April 1, 2017 to September 30, 2017)	(April 1, 2018 to September 30, 2018)
<b>Net Sales</b>	42,773	40,225
<b>Cost of Sales</b>	30,117	27,993
Reversal of unrealized income on installment sales	1	1
Gross profit	12,656	12,233
<b>Selling, General and Administrative Expenses</b>	12,220	12,492
Operating Income (loss)	436	(258)
<b>Non-Operating Income</b>		
Interest income	33	40
Dividends income	163	169
Foreign exchange gains	614	183
Other	203	143
Total non-operating income	1,014	537
<b>Non-Operating Expenses</b>		
Interest expenses	31	32
Loss on sales of notes receivable	9	35
Compensation for damage	118	96
Other	22	17
Total non-operating expenses	180	183
Ordinary income	1,270	95
<b>Extraordinary Income</b>		
Gain on sales of noncurrent assets	-	0
Gain on sales of investment securities	29	-
Total extraordinary income	29	0
<b>Extraordinary Loss</b>		
Loss on sales of noncurrent assets	-	24
Loss on retirement of noncurrent assets	7	4
Retirement benefit expenses	170	-
Total extraordinary loss	177	28
Income before income taxes	1,121	66
Income taxes-current	315	347
Income taxes-deferred	(296)	(130)
Total income taxes	19	216
<b>Profit (loss)</b>	1,102	(150)
<b>Profit (loss) attributable to owners of parent</b>	1,102	(150)

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**Consolidated Statements of Comprehensive Income**

For the six months ended September 30, 2018 and 2017

	(In millions of yen)	
	Fiscal 2018	Fiscal 2019
	(April 1, 2017 to September 30, 2017)	(April 1, 2018 to September 30, 2018)
<b>Profit (loss)</b>	1,102	(150)
Other comprehensive income		
Valuation difference on available-for-sale securities	430	(604)
Foreign currency translation adjustment	280	302
Remeasurements of defined benefit plans, net of tax	111	60
Total other comprehensive income	821	(240)
<b>Comprehensive Income (Loss)</b>	1,923	(390)
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	1,923	(390)

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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.**

From 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.