

Consolidated Business Results for the Six Months Ended September 30, 2019 **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

October 28, 2019

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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, 2019 to September 30, 2019)

(1) Results of operations

(In millions of yen, rounded down)

	Six months ended September 30, 2019	%	Six months ended September 30, 2018	%
Net sales	41,068	2.1	40,225	(6.0)
Operating income (loss)	(341)	-	(258)	-
Ordinary income (loss)	(676)	-	95	(92.5)
Profit (loss) attributable to owners of parent	(968)	-	(150)	-

(Yen)

Basic earnings (loss) per share	(16.95)	(2.58)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Six months ended September 30, 2019: (1,410) million - %

Six months ended September 30, 2018: (390) 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, 2019	March 31, 2019
Total assets	161,139	167,370
Total net assets	125,171	130,184
Equity ratio (%)	77.6	77.7

Reference:

Equity as of: September 30, 2019: 125,094 million yen

March 31, 2019: 130,110 million yen

2. Dividends

(Yen)

	Fiscal year ended March 31, 2019	Fiscal year ending March 31, 2020	Fiscal year ending March 31, 2020 (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 2019: None

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3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(In millions of yen, rounded down)

	Fiscal year ending March 31, 2020	%
Net sales	92,200	2.2
Operating income	1,000	(63.0)
Ordinary income	600	(76.0)
Profit attributable to owners of parent	100	(93.0)

(Yen)

Basic earnings per share	1.78
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Notes:

1. Revision to the latest forecast of consolidated business results announced in May 2019: 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: Yes
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, 2019:	58,292,340 shares
March 31, 2019:	62,292,340 shares
2. Number of treasury shares as of:

September 30, 2019:	2,152,405 shares
March 31, 2019:	4,067,383 shares
3. Average number of shares during the period

Six months ended September 30, 2019:	57,168,980 shares
Six months ended September 30, 2018:	58,225,564 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 13, 2019. 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

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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 ¥41,068 million, representing a 2.1% increase from the same period of the previous fiscal year. An overview of consolidated net sales by region is set out below.

Overview of Consolidated Net Sales by Region

(In millions of yen)

		Six Months Ended September 30, 2018	Six Months Ended September 30, 2019	Increase / (Decrease) (%)
Net sales		40,225	41,068	2.1
Breakdown	Japan	16,168	16,201	0.2
	North America	2,971	3,118	5.0
	Europe	7,170	6,167	(14.0)
	Greater China	8,751	7,389	(15.6)
	Other Regions	5,163	8,190	58.6

Domestic Sales

The Japanese economy enjoyed continued recovery backed by improving employment and robust corporate earnings. However, despite growth in sales of offset printing presses, overall domestic sales stayed virtually unchanged year on year at ¥16,201 million due to a downturn in sales of the printed electronics (PE) business. In the second quarter of the fiscal year under review, Komori proactively engaged in marketing activities aimed at stimulating demand, to this end releasing new products, participating in exhibitions and hosting open house events. Specifically, the Company released LITHRONE GX40P, adding yet another new model to its LITHRONE lineup. Equipped with a sheet-reversing unit, this model boasts superior productivity thanks to its capability to perform one-pass double-sided printing and straight multiple-color printing. Taking advantage of such opportunities as open house events, Komori also demonstrated a comprehensive set of solutions designed to help customers resolve issues they found in their printing process. In the digital printing system (DPS) business, the Company hosted an open house event in which it demonstrated Impremia NS40, a 40-inch size sheet-fed printing system that employs the Nanographic Printing® process and helped attendees understand its outstanding registration accuracy in high-speed printing, color rendering capacity encompassing a broad range of color spectrums and

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robust potential as a printing press for wide-ranging applications, from printing on thin paper to package printing using cardboard. Looking ahead, Komori looks to initiate beta tests by the end of 2019 while aiming to begin marketing of this model at drupa2020, the world's largest international printing exhibition scheduled for June 2020 in Dusseldorf, Germany.

North America

In North America, the economy continued to grow solidly thanks to personal consumption supported by robust employment and wages as well as government-led monetary easing policies. Despite the aforementioned factors, the majority of printing companies remained cautious about investing in offset printing presses. Nevertheless, net sales in this region rose 5.0% year on year to ¥3,118 million.

Europe

In Europe, a sense of stagnation affected many economies due to such factors as sluggish performance in the manufacturing sector. In the United Kingdom, printing machinery demand remained stagnant due to a growing sense of caution regarding the uncertain outlook of completing a Brexit deal. Demand was also weak in Eastern Europe, Southern Europe and other markets in which Komori's distributors operate. In France, there were signs of demand growth, thanks to a turnaround from the falloff in the previous fiscal year. Under these economic conditions, overall net sales in this region decreased 14.0% year on year to ¥6,167 million.

Greater China

In Greater China, the pace of economic growth decelerated due to U.S.-China trade tension. However, the economy remained virtually flat thanks to domestic demand supported by government-led economic policies. Amidst these circumstances, Komori participated in PRINT CHINA 2019, an international printing technology exhibition held in Guangdong in April 2019. Although Komori's participation in this event triggered a number of business inquiries associated with printing presses capable of supporting automation and labor saving, the depreciation of the Chinese yuan caused printing companies to postpone their investment plans. As a result, net sales in this region fell 15.6% year on year to ¥7,389 million. On April 29, 2019, Komori acquired all shares in Shenzhen Infotech Technology Co., Ltd., which had been serving as its distributor in China, through subsidiary Komori Hong Kong Limited. This move helped Komori enhance its sales and service structure in China, the world's largest printing

machinery market.

Other Regions

In Other Regions, results of the May 2019 general election in India affirmed the Indian government's commitment to its current economic policies. Meanwhile, ASEAN nations continued to see overall economic growth. As a result, sales grew in India and ASEAN nations. Furthermore, orders received in the previous fiscal year for security printing presses contributed to sales in this quarter. As a result, net sales in Other Regions rose 58.6% year on year to ¥8,190 million.

Turning to expenses, the cost of sales ratio decreased 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 increases in sales commission and the amortization of goodwill. As a result, the Company posted operating loss of ¥341 million, compared with operating loss of ¥258 million in the same period of the previous fiscal year.

The Company posted an ordinary loss totaling ¥676 million, a turnaround from ordinary income of ¥95 million in the same period of the previous fiscal year. This was due in part to a year-on-year increase in operating loss and the posting of foreign exchange losses totaling ¥598 million, a turnaround from foreign exchange gains recorded in the same period of the previous fiscal year.

For the first six months of the fiscal year under review, the Company recorded a loss before income taxes of ¥676 million, compared with income before income taxes of ¥66 million in the same period of the previous fiscal year. Reflecting these factors, Komori posted a net loss attributable to owners of the parent totaling ¥968 million, an increase from net loss attributable to owners of the parent totaling ¥150 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of September 30, 2019, total assets stood at ¥161,139 million, down ¥6,231 million (3.7%) from the end of the previous fiscal year. Key factors leading to this decrease included a ¥5,904 million decrease in notes and accounts receivable—trade, a ¥5,055 million decrease in cash and deposits, a ¥1,001 million decrease in investments and other assets and a ¥384 million decrease in electronically recorded monetary claims.

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Key positive factors contributing to total assets were a ¥3,704 million increase in goodwill, a ¥1,584 million increase in inventories and a ¥803 million increase in current assets—other.

Liabilities and Net Assets

Liabilities as of September 30, 2019 were ¥35,968 million, down ¥1,217 million (3.3%) from the end of the previous fiscal year. The key contributors to this decrease included a ¥1,930 million decrease in electronically recorded monetary obligations, a ¥968 million decrease in notes and accounts payable—trade and a ¥303 million decrease in other provisions. Key factors contributing to growth in liabilities were a ¥1,181 million increase in current liabilities—other, a ¥544 million increase in short-term loans payable and a ¥210 million increase in income taxes payable.

Net assets totaled ¥125,171 million, down ¥5,013 million (3.9%) from the end of the previous fiscal year. Primary factors leading to this decrease included a ¥7,145 million decrease in retained earnings and a ¥540 million decrease in foreign currency translation adjustment. Primary positive factors contributing to net assets included a ¥2,571 million decrease in treasury stock.

Equity Ratio

The equity ratio as of September 30, 2019 stood at 77.6%, down 0.1 of a percentage point from 77.7% at the end of the previous fiscal year.

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

Komori has revised the consolidated operating results forecasts it previously announced on May 13, 2019. This move takes into account Komori's business performance in the first six months of the fiscal year under review, the latest sales outlook and revisions to the Company's assumed exchange rates.

For more details, please also see the October 28, 2019 press release titled "Komori Corporation Announces Differences between Performance Forecasts and Operating Results for the Six Months Ended September 30, 2019, and Releases Revised Forecasts for the Full Year."

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	(In millions of yen)	
	Fiscal 2019	Fiscal 2020
	(March 31, 2019)	(September 30, 2019)
(ASSETS)		
Current Assets:		
Cash and deposits	33,988	28,932
Notes and accounts receivable	23,748	17,844
Electronically recorded monetary claims	2,402	2,017
Short-term investment securities	15,194	15,291
Merchandise and finished goods	13,309	15,395
Work in process	10,091	9,408
Raw materials and supplies	8,827	9,009
Other	2,217	3,021
Allowance for doubtful accounts	(328)	(324)
Total current assets	109,451	100,595
Noncurrent Assets:		
Property, plant and equipment		
Land	18,020	17,992
Other, net	13,879	13,922
Total property, plant and equipment	31,900	31,915
Intangible assets		
Goodwill	685	4,390
Other	1,557	1,464
Total intangible assets	2,243	5,855
Investments and other assets	23,775	22,773
Total noncurrent assets	57,919	60,543
Total Assets	167,370	161,139

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(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2019 (March 31, 2019)	Fiscal 2020 (September 30, 2019)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	12,575	11,606
Electronically recorded obligations	7,819	5,888
Short-term loans payable	39	584
Income taxes payable	169	379
Provision for loss on guarantees	132	131
Other provision	2,109	1,805
Other	10,964	12,145
Total current liabilities	33,809	32,542
Noncurrent Liabilities:		
Net defined benefit liability	2,559	2,470
Provision	141	143
Other	676	811
Total noncurrent liabilities	3,376	3,425
Total Liabilities	37,185	35,968
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	58,797	51,652
Treasury stock	(5,058)	(2,486)
Total shareholders' equity	129,242	124,669
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	2,871	2,924
Foreign currency translation adjustment	(834)	(1,375)
Remeasurements of defined benefit plans	(1,169)	(1,123)
Total other comprehensive income	867	425
Non-controlling interests	74	77
Total Net Assets	130,184	125,171
Total Liabilities and Net Assets	167,370	161,139

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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, 2019 and 2018

(In millions of yen)

	Fiscal 2019 (April 1, 2018 to September 30, 2018)	Fiscal 2020 (April 1, 2019 to September 30, 2019)
Net Sales	40,225	41,068
Cost of Sales	27,993	28,465
Reversal of unrealized income on installment sales	1	0
Gross profit	12,233	12,603
Selling, General and Administrative Expenses	12,492	12,945
Operating loss	(258)	(341)
Non-Operating Income		
Interest income	40	44
Dividends income	169	158
Foreign exchange gains	183	-
Other	143	200
Total non-operating income	537	403
Non-Operating Expenses		
Interest expenses	32	2
Foreign exchange losses	-	598
Other	150	136
Total non-operating expenses	183	737
Ordinary Income (loss)	95	(676)
Extraordinary Income		
Gain on sales of noncurrent assets	0	0
Total extraordinary income	0	0
Extraordinary Loss		
Loss on sales of noncurrent assets	24	0
Loss on retirement of noncurrent assets	4	0
Total extraordinary loss	28	1
Income (loss) before income taxes	66	(676)
Income taxes-current	347	114
Income taxes-deferred	(130)	174
Total income taxes	216	288
Loss	(150)	(965)
Profit attributable to non-controlling interests	-	3
Loss attributable to owners of parent	(150)	(968)

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Consolidated Statements of Comprehensive Income

For the six months ended September 30, 2019 and 2018

	(In millions of yen)	
	Fiscal 2019	Fiscal 2020
	(April 1, 2018 to September 30, 2018)	(April 1, 2019 to September 30, 2019)
Loss	(150)	(965)
Other comprehensive income (Loss)		
Valuation difference on available-for-sale securities	(604)	53
Foreign currency translation adjustment	302	(543)
Remeasurements of defined benefit plans, net of tax	60	45
Total other comprehensive income	(240)	(445)
Comprehensive Income (Loss)	(390)	(1,410)
Comprehensive income attributable to:		
Comprehensive income (Loss) attributable to owners of parent	(390)	(1,410)
Comprehensive income attributable to non-controlling interests	—	0

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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)

(i) Acquisition of treasury stock

Based on a resolution passed at a Board of Directors meeting held on March 25, 2019, Komori decided to purchase treasury stock in accordance with Article 459-1 of the Japanese Corporate Code and the Company's Articles of Incorporation. In accordance with this decision, Komori acquired 2,084,900 shares of treasury stock in the second quarter of the fiscal year ending March 31, 2020. This resulted in a ¥2,424 million increase in treasury stock.

(ii) Cancellation of treasury stock

Based on the aforementioned resolution, Komori also decided to cancel its treasury stock in accordance with Article 178 of the Japanese Corporate Code. In accordance with this decision, Komori cancelled 4,000,000 shares of treasury stock on April 26, 2019. This resulted in a ¥4,995 million decrease each in retained earnings and treasury stock.

**(Change in the Scope of Consolidation or Application of Equity Method)
(Significant Change in the Scope of Consolidation)**

Komori acquired all shares in Shenzhen Infotech Technology Co., Ltd. through subsidiary Komori Hong Kong Limited. Shenzhen Infotech Technology Co., Ltd. is now renamed Komori (Shenzhen) Print Engineering Co., Ltd. and included into the scope of consolidation from the first quarter of the fiscal year ending March 31, 2020 onward.

(Change in Accounting Policies)

In the first quarter of the fiscal year ending March 31, 2020, Komori adopted International Financial Reporting Standards (IFRS) No. 16 "Leases" (hereinafter "IFRS 16") for its foreign subsidiaries to which IFRS is applicable. Upon the adoption of this standard, all of these subsidiaries are mandated to present their lease borrowings on consolidated balance sheets as assets or liabilities. In addition, Komori's adoption of IFRS 16 is subject to the transitional treatment. Accordingly, the cumulative impact of change in accounting policies is reflected in retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2020.

As of September 30, 2019, the aforementioned change resulted in a ¥254 million increase in property, plant and equipment, a ¥113 million increase in current liabilities—other, and a ¥160 million increase in noncurrent liabilities—other. However, overall impact on quarterly profit and loss is insignificant. In addition, this change caused retained earnings at the beginning of the fiscal year to decline by ¥19 million.

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