

# **Consolidated Business Results for the Nine Months Ended December 31, 2019** **REPORTED BY KOMORI CORPORATION (Japanese GAAP)**

January 29, 2020

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of presentation meeting for quarterly financial results: Yes (for financial analysts/investors)

## **1. Consolidated Business Results for the Third Quarter (April 1, 2019 to December 31, 2019)**

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

	Nine months ended December 31, 2019	%	Nine months ended December 31, 2018	%
Net sales	55,951	(7.4)	60,414	(5.4)
Operating income (loss)	(1,948)	-	174	(87.0)
Ordinary income (loss)	(1,800)	-	68	(97.1)
Profit (loss) attributable to owners of parent	(1,969)	-	(803)	-
(Yen)				
Basic earnings (loss) per share	(34.67)		(13.80)	
Diluted earnings per share	-		-	

Notes:

1. Comprehensive income (loss):

Nine months ended December 31, 2019: (1,558) million yen - %

Nine months ended December 31, 2018: (2,868) million yen - %

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

(2) Financial position (In millions of yen, rounded down)

	December 31, 2019	March 31, 2019
Total assets	161,373	167,370
Total net assets	123,648	130,184
Equity ratio (%)	76.6	77.7

Reference:

Equity as of: December 31, 2019: 123,575 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	81,500	(9.7)
Operating income (loss)	(1,600)	-
Ordinary income (loss)	(1,200)	-
Profit (loss) attributable to owners of parent	(1,800)	-

(Yen)

Basic earnings (loss) per share	(32.18)
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Notes:

1. Revision to the latest forecast of consolidated business results announced in January 2020: No
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:
 

December 31, 2019:	58,292,340 shares
March 31, 2019:	62,292,340 shares
2. Number of treasury shares as of:
 

December 31, 2019:	2,367,889 shares
March 31, 2019:	4,067,383 shares
3. Average number of shares during the period
 

Nine months ended December 31, 2019:	56,795,693 shares
Nine months ended December 31, 2018:	58,225,495 shares

\* This quarterly financial flash report (KESSAN TANSIN) is not subject to quarterly review by certified public accountants or auditing firms as specified under the Financial Instruments and Exchange Law of Japan.

\* Disclaimer regarding the appropriate use of performance forecasts and other remarks

The aforementioned forecasts are based on management's assumptions and beliefs held in light of information currently available to it and accordingly involve risks and uncertainties that may cause actual results to differ materially from forecasts. These uncertainties include, but are not limited to, changes in economic conditions, market trends, changes in foreign currency exchange rates and other factors.

Materials for the summary result presentation in Japanese will be disclosed through the Tokyo Stock Exchange's Timely Disclosure Network, known as TDnet, on February 7, 2020. 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 nine months of the fiscal year under review amounted to ¥55,951 million, representing a 7.4% 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)

		Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Increase / (Decrease) (%)
Net sales		60,414	55,951	(7.4)
Breakdown	Japan	24,364	20,630	(15.3)
	North America	4,826	4,419	(8.4)
	Europe	11,291	9,040	(19.9)
	Greater China	11,745	11,341	(3.4)
	Other Regions	8,186	10,519	28.5

#### *Domestic Sales*

The Japanese economy remained weak despite continuously improving employment. In the third quarter of the fiscal year under review, the Company's sales in the domestic market were down year on year due to sluggish capital expenditure in offset printing presses. Moreover, demand for its printed electronics (PE) business offerings remained stagnant and was down compared with the same period of the previous fiscal year. Reflecting these factors, domestic sales for the first nine months of the fiscal year under review decreased 15.3% year on year to ¥20,630 million.

#### *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. However, the majority of printing companies remained cautious about investing in offset printing presses due to a growing uncertainty over government trade policies. Consequently, net sales in this region fell 8.4% year on year to ¥4,419 million.

#### *Europe*

In Europe, a sense of stagnation affected many economies due to such factors as

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sluggish performance in the manufacturing sector. In the United Kingdom, although the completion of the Brexit deal became almost certain, printing machinery demand remained stagnant due to a lingering sense of caution regarding the unclear outlook for the future. Demand was also weak in Eastern Europe, Southern Europe and other markets in which Komori's distributors operate. As a result, overall net sales in this region decreased 19.9%, representing an even sharper year-on-year decrease than the second quarter, to ¥9,040 million.

### ***Greater China***

In Greater China, although the pace of economic growth decelerated due to U.S.-China trade tension, the economy remained virtually flat thanks to domestic demand supported by government-led economic policies. However, the depreciation of the Chinese yuan caused printing companies to postpone their investment plans. Reflecting these and other factors, net sales in this region fell 3.4% year on year to ¥11,341 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, overall economic growth in India and ASEAN nations decelerated due to such factors as U.S-China trade tension. However, sales of offset printing presses increased, while 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 28.5% year on year to ¥10,519 million.

Turning to expenses, the cost of sales ratio increased year on year due to such factors as a sales mix variance. The ratio of selling, general and administrative (SG&A) expenses to net sales was up year on year due mainly to increases in the amortization of goodwill and research and development expenses. As a result, the Company posted operating loss of ¥1,948 million, compared with operating income of ¥174 million in the same period of the previous fiscal year.

The Company posted an ordinary loss totaling ¥1,800 million, a turnaround from ordinary income of ¥68 million in the same period of the previous fiscal year. This was due in part to the posting of the greater operating loss and year-on-year growth in foreign exchange losses.

For the first nine months of the fiscal year under review, the Company recorded a loss before income taxes of ¥1,805 million, compared with income before income taxes of ¥33 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 ¥1,969 million, an increase from net loss attributable to owners of the parent totaling ¥803 million in the same period of the previous fiscal year.

## **(2) Financial Condition**

### **Total Assets**

As of December 31, 2019, total assets stood at ¥161,373 million, down ¥5,997 million (3.6%) from the end of the previous fiscal year. Key factors leading to this decrease included a ¥7,710 million decrease in notes and accounts receivable—trade, a ¥7,263 million decrease in cash and deposits, a ¥2,328 million decrease in short-term investment securities and a ¥682 million decrease in investments and other assets.

Key positive factors contributing to total assets were a ¥6,924 million increase in inventories, a ¥3,612 million increase in goodwill and a ¥1,615 million increase in current assets—other.

### **Liabilities and Net Assets**

Liabilities as of December 31, 2019 were ¥37,725 million, up ¥539 million (1.4%) from the end of the previous fiscal year. The key contributors to this increase included a ¥3,144 million increase in current liabilities—other, a ¥350 million increase in noncurrent liabilities—other and a ¥211 million increase in short-term loans payable. Key negative factors impacting liabilities were a ¥1,382 million decrease in electronically recorded monetary obligations, a ¥973 million decrease in other provisions and a ¥761 million decrease in notes and accounts payable—trade.

Net assets totaled ¥123,648 million, down ¥6,536 million (5.0%) from the end of the previous fiscal year. Primary factors leading to this decrease included a ¥9,269 million decrease in retained earnings. Primary positive factors contributing to net assets included a ¥2,321 million decrease in treasury stock and a ¥525 million increase in valuation difference on available-for-sale securities.

### **Equity Ratio**

The equity ratio as of December 31, 2019 stood at 76.6%, down 1.1 percentage points from 77.7% at the end of the previous fiscal year.

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

With regard to consolidated operating results forecasts, the Company has not revised its previous forecasts disclosed on January 28, 2020 with regard to the full year operating results for the fiscal year ending March 31, 2020.

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

	(In millions of yen)	
	Fiscal 2019	Fiscal 2020
	(March 31, 2019)	(December 31, 2019)
<b>(ASSETS)</b>		
<b>Current Assets:</b>		
Cash and deposits	33,988	26,724
Notes and accounts receivable	23,748	16,037
Electronically recorded monetary claims	2,402	2,315
Short-term investment securities	15,194	12,866
Merchandise and finished goods	13,309	18,695
Work in process	10,091	11,055
Raw materials and supplies	8,827	9,400
Other	2,217	3,833
Allowance for doubtful accounts	(328)	(318)
Total current assets	109,451	100,611
<b>Noncurrent Assets:</b>		
Property, plant and equipment		
Land	18,020	18,005
Other, net	13,879	13,967
Total property, plant and equipment	31,900	31,973
Intangible assets		
Goodwill	685	4,298
Other	1,557	1,397
Total intangible assets	2,243	5,696
Investments and other assets	23,775	23,092
Total noncurrent assets	57,919	60,762
<b>Total Assets</b>	<b>167,370</b>	<b>161,373</b>

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**(1) Consolidated Balance Sheets**

	(In millions of yen)	
	Fiscal 2019	Fiscal 2020
	(March 31, 2019)	(December 31, 2019)
<b>(LIABILITIES)</b>		
<b>Current Liabilities:</b>		
Notes and accounts payable	12,575	11,813
Electronically recorded obligations	7,819	6,437
Short-term loans payable	39	250
Income taxes payable	169	262
Provision for loss on guarantees	132	110
Other provision	2,109	1,135
Other	10,964	14,108
Total current liabilities	33,809	34,118
<b>Noncurrent Liabilities:</b>		
Net defined benefit liability	2,559	2,442
Provision	141	137
Other	676	1,026
Total noncurrent liabilities	3,376	3,606
<b>Total Liabilities</b>	<b>37,185</b>	<b>37,725</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' Equity:</b>		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	58,797	49,527
Treasury stock	(5,058)	(2,736)
Total shareholders' equity	129,242	122,294
<b>Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	2,871	3,397
Foreign currency translation adjustment	(834)	(1,035)
Remeasurements of defined benefit plans	(1,169)	(1,080)
Total other comprehensive income	867	1,281
<b>Non-controlling interests</b>	<b>74</b>	<b>73</b>
<b>Total Net Assets</b>	<b>130,184</b>	<b>123,648</b>
<b>Total Liabilities and Net Assets</b>	<b>167,370</b>	<b>161,373</b>

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

### Consolidated Statements of Income

For the nine months ended December 31, 2019 and 2018

(In millions of yen)

	Fiscal 2019 (April 1, 2018 to December 31, 2018)	Fiscal 2020 (April 1, 2019 to December 31, 2019)
<b>Net Sales</b>	60,414	55,951
<b>Cost of Sales</b>	41,792	38,847
Reversal of unrealized income on installment sales	2	0
Gross profit	18,624	17,103
<b>Selling, General and Administrative Expenses</b>	18,450	19,051
Operating Income (loss)	174	(1,948)
<b>Non-Operating Income</b>		
Interest income	61	65
Dividends income	244	240
Other	221	282
Total non-operating income	527	588
<b>Non-Operating Expenses</b>		
Interest expenses	50	5
Foreign exchange losses	76	288
Other	505	146
Total non-operating expenses	632	440
Ordinary Income (loss)	68	(1,800)
<b>Extraordinary Income</b>		
Gain on sales of noncurrent assets	0	0
Total extraordinary income	0	0
<b>Extraordinary Loss</b>		
Loss on sales of noncurrent assets	24	3
Loss on retirement of noncurrent assets	11	1
Total extraordinary loss	36	5
Income (loss) before income taxes	33	(1,805)
Income taxes-current	463	147
Income taxes-deferred	373	16
Total income taxes	836	164
<b>Loss</b>	(803)	(1,969)
<b>Loss attributable to non-controlling interests</b>	-	(0)
<b>Loss attributable to owners of parent</b>	(803)	(1,969)

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**Consolidated Statements of Comprehensive Income**

For the nine months ended December 31, 2019 and 2018

	(In millions of yen)	
	Fiscal 2019	Fiscal 2020
	(April 1, 2018 to December 31, 2018)	(April 1, 2019 to December 31, 2019)
<b>Loss</b>	(803)	(1,969)
Other comprehensive income (Loss)		
Valuation difference on available-for-sale securities	(2,135)	525
Foreign currency translation adjustment	(9)	(203)
Remeasurements of defined benefit plans, net of tax	79	88
Total other comprehensive income	(2,065)	410
<b>Comprehensive Income (Loss)</b>	(2,868)	(1,558)
Comprehensive income attributable to:		
Comprehensive income (Loss) attributable to owners of parent	(2,868)	(1,555)
Comprehensive income (Loss) attributable to non-controlling interests	—	(3)

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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 2,300,000 shares of treasury stock in the third quarter of the fiscal year ending March 31, 2020. This resulted in a ¥2,673 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 December 31, 2019, the aforementioned change resulted in a ¥247 million increase in property, plant and equipment, a ¥102 million increase in current liabilities—other, and a ¥164 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.