

Consolidated Business Results for the Nine Months Ended December 31, 2020 **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 Third Quarter (April 1, 2020 to December 31, 2020)

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

	Nine months ended December 31, 2020	%	Nine months ended December 31, 2019	%
Net sales	51,315	(8.3)	55,951	(7.4)
Operating income (loss)	(1,871)	-	(1,948)	-
Ordinary income (loss)	(1,377)	-	(1,800)	-
Profit (loss) attributable to owners of parent	(897)	-	(1,969)	-

(Yen)

Basic earnings (loss) per share	(16.05)	(34.67)
Diluted earnings per share	-	-

Notes:

1. Comprehensive income (loss):

Nine months ended December 31, 2020: 165 million yen - %
Nine months ended December 31, 2019: (1,558) 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, 2020	March 31, 2020
Total assets	143,680	135,697
Total net assets	97,016	97,979
Equity ratio (%)	67.5	72.2

Reference:

Equity as of: December 31, 2020: 96,954 million yen
March 31, 2020: 97,912 million yen

2. Dividends

(Yen)

	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2021	Fiscal year ending March 31, 2021 (Forecast)
Cash dividends per share			
First quarter period-end dividends	-	-	-
Second quarter period-end dividends	20.00	10.00	-
Third quarter period-end dividends	-	-	-
Year-end dividends	10.00	-	10.00
Annual cash dividends	30.00	-	20.00

Note: Revision to the latest dividend forecast announced in October 2020: No

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3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(In millions of yen, rounded down)

	Fiscal year ending March 31, 2021	%
Net sales	71,000	(8.6)
Operating income (loss)	(2,600)	-
Ordinary income (loss)	(1,900)	-
Profit (loss) attributable to owners of parent	(2,100)	-
(Yen)		
Basic earnings (loss) per share	(37.55)	

Notes:

1. Revision to the latest forecast of consolidated business results announced in October 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: 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:

December 31, 2020:	58,292,340 shares
March 31, 2020:	58,292,340 shares
2. Number of treasury shares as of:

December 31, 2020:	2,368,207 shares
March 31, 2020:	2,368,005 shares
3. Average number of shares during the period

Nine months ended December 31, 2020:	55,924,254 shares
Nine months ended December 31, 2019:	56,795,693 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 9, 2021. 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 <https://www.komori.com/ir/en/>

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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 ¥51,315 million, representing an 8.3% decrease from the same period of the previous fiscal year, due to the ongoing fallout from the novel coronavirus (hereinafter “COVID-19”) pandemic worldwide. 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, 2019	Nine Months Ended December 31, 2020	Increase / (Decrease) (%)
Net sales		55,951	51,315	(8.3)
Breakdown	Japan	20,630	21,959	6.4
	North America	4,419	2,847	(35.6)
	Europe	9,040	9,417	4.2
	Greater China	11,341	9,712	(14.4)
	Other Regions	10,519	7,378	(29.9)

Domestic Sales

In the domestic market, printing companies remained cautious toward making capital expenditures as the overall volume of printed materials declined due to repercussions of the COVID-19 pandemic, including the suspension of events, shrinkage of marketing activities and a major decrease in consumption associated with inbound tourism. This trend caused sales of sheet-fed offset printing presses to decrease from the same period of the previous fiscal year. However, thanks mainly to demand associated with facility upgrades, sales of web offset presses and security printing presses were up year on year. Moreover, sales of the printed electronics (PE) business grew from the same period of the previous fiscal year, reflecting improving market conditions. Consequentially, domestic sales rose 6.4% year on year to ¥21,959 million.

North America

As the spread of COVID-19 is still ongoing in North America, net sales in this region decreased 35.6% year on year to ¥2,847 million. Third-quarter sales, however, represented recovery from sales stagnation in the second quarter.

Europe

In Europe, market conditions have been similarly affected by resurgences of the COVID-

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19 pandemic. However, as the Komori Group included the MBO Group, which manufactures and sells post-press machinery, into the scope of consolidation in April 2020, the latter's business results are factored into consolidated operating results from the first quarter of the fiscal year under review. Reflecting this, overall net sales in this region increased 4.2% year on year to ¥9,417 million.

Greater China

In Greater China, economic activities resumed earlier than other regions. With the economy again on a recovery track, Komori saw an uptick in orders received. Taking these factors into account, net sales in this region amounted to ¥9,712 million. Down 14.4% from the same period of the previous fiscal year, this still represents an improvement from the sharper year-on-year decline recorded in the second quarter.

Other Regions

Other Regions include ASEAN, India and Oceania as well as Central and South America. In India, although Komori saw signs of gradual recovery in sales, the Company's operating results were significantly down year on year due to the lingering impact of the COVID-19 pandemic. Sales in other markets similarly stagnated. As a result, overall net sales in Other Regions dropped 29.9% year on year to ¥7,378 million.

In the third quarter of the fiscal year under review, Komori initiated the marketing of "advance" series in its mainstay offset printing press business. In developing this series, Komori focused on creating a solution capable of helping customers enhance ROI. In particular, LITHRONE GX/G advance models are easy to operate and boast superior productivity and higher printing quality. Compared with conventional models, these new models thus offer a significant improvement in ROI and, therefore, are expected to become an integral part of printing business operations in the future generation. To promote this series, Komori has hosted open house events in a way that thoroughly safeguards attendees from the risk of COVID-19 infection, in addition to providing a broad range of potential customers with webinars and video livestreaming. Thanks to these efforts, the "advance" series is currently attracting the interest of customers at home and abroad.

Turning to expenses, the cost of sales ratio increased year on year due to such factors as lower production volume and a sales mix variance. On the other hand, selling, general and administrative (SG&A) expenses were ¥16,397 million, down from ¥19,051 million in the same period of the previous fiscal year, due mainly to reduction in travel and other expenses under the influence of the COVID-19 pandemic as well as the effect of emergency measures to reinforce the Company's business revenue structure, which aimed to improve profitability and curb such costs as personnel expenses. Taking these factors into account, Komori posted operating loss of ¥1,871 million, compared with operating loss of ¥1,948 million in the same period of the previous fiscal year.

The Company posted an ordinary loss of ¥1,377 million, a slight improvement from an ordinary loss of ¥1,800 million in the same period of the previous fiscal year, thanks in part to a year-on-year decrease in foreign exchange losses.

For the first nine months of the fiscal year under review, the Company recorded a loss before income taxes of ¥723 million, a decrease from a loss before income taxes of ¥1,805 million in the same period of the previous fiscal year, reflecting the recording of gains on negative goodwill. As a result, Komori posted a net loss attributable to owners of the parent totaling ¥897 million, compared with net loss attributable to owners of the parent totaling ¥1,969 million in the same period of the previous fiscal year.

(2) Financial Condition

Total Assets

As of December 31, 2020, total assets stood at ¥143,680 million, up ¥7,983 million (5.9%) from the end of the previous fiscal year. Key factors increasing total assets were a ¥14,454 million increase in cash and deposits and an ¥882 million increase in property, plant and equipment—other. Key factors decreasing total assets included a ¥4,440 million decrease in short-term investment securities and a ¥2,472 million decrease in inventories.

Liabilities and Net Assets

Liabilities as of December 31, 2020 were ¥46,664 million, up ¥8,946 million (23.7%) from the end of the previous fiscal year. The key contributors to this increase included a ¥10,000 million increase in corporate bonds and a ¥3,287 million increase in short-term loans payable. Key factors reducing liabilities were a ¥3,970 million decrease in electronically recorded monetary obligations and a ¥980 million decrease in notes and accounts payable—trade.

Net assets totaled ¥97,016 million, down ¥963 million (1.0%) from the end of the previous fiscal year. Key negative factors included a ¥2,141 million decrease in retained earnings. Primary positive factors contributing to net assets included a ¥468 million increase in valuation difference on available-for-sale securities.

Equity Ratio

The equity ratio as of December 31, 2020 stood at 67.5%, down 4.7 percentage points from 72.2% at the end of the previous fiscal year.

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

The Company has not revised its previous forecasts disclosed as of October 27, 2020 on the full-year operating results for the fiscal year ending March 31, 2021.

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

	(In millions of yen)	
	Fiscal 2020	Fiscal 2021
	(March 31, 2020)	(December 31, 2020)
(ASSETS)		
Current Assets:		
Cash and deposits	27,403	41,858
Notes and accounts receivable	15,823	15,203
Electronically recorded monetary claims	2,416	2,943
Short-term investment securities	12,821	8,380
Merchandise and finished goods	17,923	16,626
Work in process	10,481	8,681
Raw materials and supplies	7,959	8,584
Other	3,431	2,986
Allowance for doubtful accounts	(334)	(426)
Total current assets	97,926	104,837
Noncurrent Assets:		
Property, plant and equipment		
Land	8,091	8,465
Other, net	7,558	8,440
Total property, plant and equipment	15,650	16,906
Intangible assets		
Goodwill	3,259	2,685
Other	1,724	1,571
Total intangible assets	4,983	4,257
Investments and other assets	17,136	17,680
Total noncurrent assets	37,771	38,843
Total Assets	135,697	143,680

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(1) Consolidated Balance Sheets

(In millions of yen)

	Fiscal 2020 (March 31, 2020)	Fiscal 2021 (December 31, 2020)
(LIABILITIES)		
Current Liabilities:		
Notes and accounts payable	5,826	4,845
Electronically recorded obligations	10,478	6,507
Short-term loans payable	34	3,321
Income taxes payable	329	345
Provision for loss on guarantees	112	110
Advances received	8,737	8,494
Other provision	1,698	1,011
Other	5,574	6,449
Total current liabilities	32,792	31,085
Noncurrent Liabilities:		
Bonds payable	-	10,000
Long-term loans payable	-	392
Net defined benefit liability	2,780	2,856
Provision	194	83
Other	1,950	2,246
Total noncurrent liabilities	4,925	15,578
Total Liabilities	37,717	46,664
(NET ASSETS)		
Shareholders' Equity:		
Capital stock	37,714	37,714
Capital surplus	37,788	37,788
Retained earnings	26,040	23,899
Treasury stock	(2,736)	(2,620)
Total shareholders' equity	98,807	96,782
Other Comprehensive Income:		
Valuation difference on available-for-sale securities	1,756	2,224
Foreign currency translation adjustment	(1,313)	(949)
Remeasurements of defined benefit plans	(1,337)	(1,102)
Total other comprehensive income	(895)	172
Non-controlling interests	67	61
Total Net Assets	97,979	97,016
Total Liabilities and Net Assets	135,697	143,680

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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, 2020 and 2019

(In millions of yen)

	Fiscal 2020 (April 1, 2019 to December 31, 2019)	Fiscal 2021 (April 1, 2020 to December 31, 2020)
Net Sales	55,951	51,315
Cost of Sales	38,847	36,789
Reversal of unrealized income on installment sales	0	-
Gross profit	17,103	14,526
Selling, General and Administrative Expenses	19,051	16,397
Operating loss	(1,948)	(1,871)
Non-Operating Income		
Interest income	65	30
Dividends income	240	201
Subsidy income	-	224
Reversal of provision for loss on litigation	-	110
Other	282	279
Total non-operating income	588	845
Non-Operating Expenses		
Interest expenses	5	38
Foreign exchange losses	288	92
Provision of allowance for doubtful accounts	-	78
Other	146	142
Total non-operating expenses	440	351
Ordinary loss	(1,800)	(1,377)
Extraordinary Income		
Gain on sales of noncurrent assets	0	0
Gain on sales of investment securities	-	93
Gain on bargain purchase	-	637
Total extraordinary income	0	731
Extraordinary Loss		
Loss on sales of noncurrent assets	3	0
Loss on retirement of noncurrent assets	1	0
Loss on valuation of investment securities	-	77
Total extraordinary loss	5	78
Loss before income taxes	(1,805)	(723)
Income taxes-current	147	210
Income taxes-deferred	16	(32)
Total income taxes	164	178
Loss	(1,969)	(901)
Loss attributable to non-controlling interests	(0)	(4)
Loss attributable to owners of parent	(1,969)	(897)

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Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2020 and 2019

(In millions of yen)

	Fiscal 2020	Fiscal 2021
	(April 1, 2019 to December 31, 2019)	(April 1, 2020 to December 31, 2020)
Loss	(1,969)	(901)
Other comprehensive income		
Valuation difference on available-for-sale securities	525	468
Foreign currency translation adjustment	(203)	363
Remeasurements of defined benefit plans, net of tax	88	235
Total other comprehensive income	410	1,067
Comprehensive Income (Loss)	(1,558)	165
Comprehensive income attributable to:		
Comprehensive income (loss) attributable to owners of parent	(1,555)	170
Comprehensive income (loss) attributable to non-controlling interests	(3)	(4)

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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

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

(Significant Change in the Scope of Consolidation)

The Company acquired 100% of the shares in Maschinenbau Oppenweiler Binder GmbH & Co. KG, the main company of the Germany-based MBO Group, through Komori Germany GmbH, which is a newly established subsidiary. Reflecting this, Komori included the acquired company and its six subsidiaries into the scope of consolidation from the first quarter of the fiscal year under review.

In conjunction with this acquisition, the acquired company was merged into Komori Germany GmbH. The resulting company was renamed MBO Postpress Solutions GmbH and is a consolidated subsidiary of Komori.

(Additional Information)

1. Assumptions Used as a Basis for Projections regarding the Impact of the COVID-19 Pandemic

With regard to the impact of the COVID-19 pandemic, the Komori Group assumes that fallout from the pandemic will persist throughout the fiscal year. The Group's estimate on financial results is based on these assumptions, which have not been revised significantly from the end of the previous fiscal year.

In addition, the COVID-19 pandemic's economic impact is believed to remain highly volatile. Accordingly, should the circumstances evolve going forward, the Group's financial position and business performance could be negatively affected.

2. Introduction of a Performance-Based Share Compensation Plan Employing a Board Benefit Trust

Based on a resolution at the 74th Annual General Meeting of Shareholders held on June 26, 2020, Komori introduced a performance-based share compensation plan (hereinafter the "plan") that employs a Board Benefit Trust to reward the Company's executive directors. Details follow.

(1) Overview of the Plan

The introduction of the plan entails the establishment of the Board Benefit Trust (hereinafter the "BBT"), which acquires Komori shares via funding from the Company. In accordance with Komori's rules on share compensation for directors, the Company will provide executive directors with the shares through the BBT based on individual and corporate achievements in addition to delivering cash compensation equivalent to the fair value of a portion of the shares to be granted to them.

In general, the executive directors are eligible to receive share compensation only when they have stepped aside from executive director positions.

(2) Status of Komori Shares Held by the BBT

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Komori recorded the value of its shares held by the BBT as treasury stock under net assets (on a basis of the book value determined by the BBT; excluding peripheral expenses). As of December 31, 2020, the number of these shares stands at 252,000, with their book value totaling ¥175 million.