

# Annual Report 2018

Fiscal year ended March 31, 2018

## Kando : Beyond Expectations



For more than 90 years, since its establishment in 1923, the Komori Group has been producing offset printing presses. Our flagship products include sheet-fed offset presses such as the LITHRONE series and ENTHRONE series, web offset presses such as the SYSTEM series, digital printing systems including the Impremia series, as well as related equipment and devices. Moreover, the Group has been supplying security printing presses to the National Printing Bureau in Japan as well as to overseas customers in dozens of countries.

The Komori Group endeavors to improve the quality and productivity of its basic printing presses and develop printing information networks and automated integrated printing systems to respond to the recent trend of digital workflow and networking, and realize a total printing production system. With its sights fixed on remaining a trusted Print Engineering Service Provider, the Group also works to bring the range of its proposals to bear in solving customer issues.



# Komori Total Solutions

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## Caution Regarding Forward-Looking Statements

This annual report contains information about forward-looking statements related to such matters as the Company's plans, strategies, and business results. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a variety of risks and uncertainties. The Company's actual activities and business results could differ significantly due to changes, including changes in the economic environment, business environment, demand, and exchange rates.

# Consolidated Financial Highlights

Komori Corporation and Consolidated Subsidiaries

Years ended March 31	Millions of yen			Percent change	Thousands of U.S. dollars (Note 1)
	2016	2017	2018	2018/2017	2018
Net sales	¥ 95,327	¥ 86,619	<b>¥94,169</b>	8.7%	<b>\$ 886,378</b>
Operating income	6,613	1,712	<b>3,733</b>	118.0	<b>35,137</b>
Income before income taxes	6,294	824	<b>4,154</b>	404.1	<b>39,091</b>
Profit attributable to owners of parent	6,522	658	<b>3,075</b>	367.6	<b>28,941</b>
Total assets	188,174	180,100	<b>182,477</b>	1.3	<b>1,717,596</b>
Total net assets	135,890	131,386	<b>132,453</b>	0.8	<b>1,246,722</b>

Per share:	Yen			Percent change	U.S. dollars (Note 1)
	2016	2017	2018	2018/2017	2018
Net income—primary	¥ 105.26	¥ 10.94	<b>¥ 52.81</b>	382.7%	<b>\$ 0.50</b>
Cash dividends	40.00	40.00	<b>40.00</b>	0.0	<b>0.38</b>

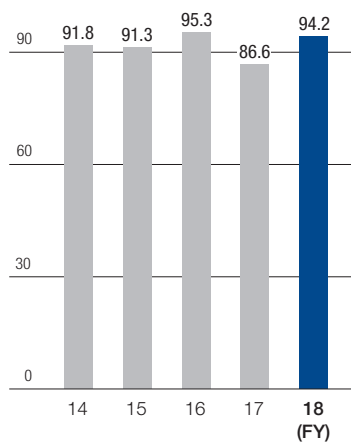
  

Ratio:	%			Percentage point change
	2016	2017	2018	2018/2017
Equity ratio	72.2%	73.0%	<b>72.6%</b>	(0.4)

Notes: 1. U.S. dollar amounts are converted from Japanese yen for convenience only at the rate of ¥106.24 = US\$1.00.  
2. Financial figures throughout this report are rounded to the nearest whole identified unit.

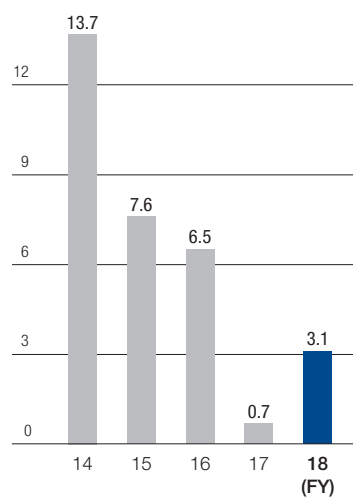
## Net Sales

(Billions of yen)  
120



## Profit Attributable to Owners of Parent

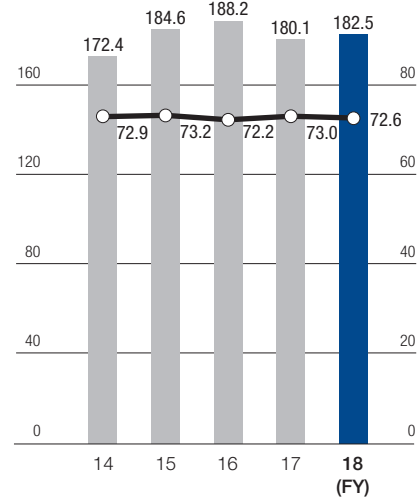
(Billions of yen)  
15



## Total Assets and Equity Ratio

(Billions of yen)

(%)  
100



## Offset Printing Presses

### Sheet-fed offset presses

Sheet-fed offset presses print on an individual sheet of paper that has been cut to a specific size. Presses of this type boast superior high-speed printing capability, and their responsiveness to requests for printing jobs with small print runs makes them competitive with digital printing systems. Moreover, sheet-fed offset presses can perform high-quality printing on paper of various size, thickness and quality. These presses are suited for commercial printing (catalogues and posters) as well as package printing.

LITHRONE G series



### Web-fed offset presses

Web offset presses repeatedly print images on rolls of paper. They boast even greater high-speed printing capabilities than sheet-fed offset presses and also deliver high print resolution. Thus, these presses are preferable for the printing of ad inserts, magazines and books that typically require large printing runs.



SYSTEM G series

## Digital Printing Systems (DPS)

### Impremia IS29, a 29-inch UV inkjet digital printing system

The strength of digital printing systems lies in their capacity to accommodate jobs with small print runs and short turnarounds as well as to perform variable printing. Komori's Impremia IS29 is a high-end digital printing system that boasts high print resolution and stable performance comparable to offset printing presses, enabling users to employ a combination of digital and offset printing.

## KGC KOMORI Graphic Technology Center

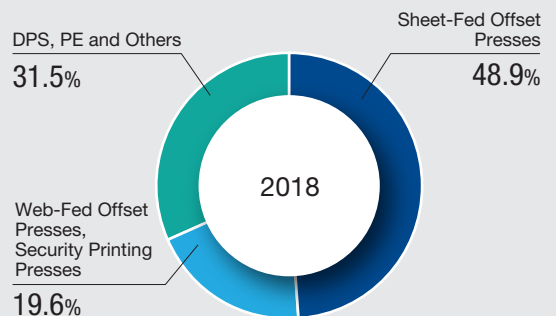
### R&D facilities supporting cutting-edge printing technologies

The KGCs are located in Komori's business bases in Japan (within the premises of the Tsukuba Plant), the United States, the Netherlands and China, and provide the following functions.

1. Demonstration center
2. R&D center (the research and development of cutting-edge printing technologies and proposal of optimal printing systems)
3. Printing college and training (theoretical and practical training, onsite diagnosis aimed at assessing such factors as the eco-friendliness of printing facilities, and consulting services)



### Net sales by product category

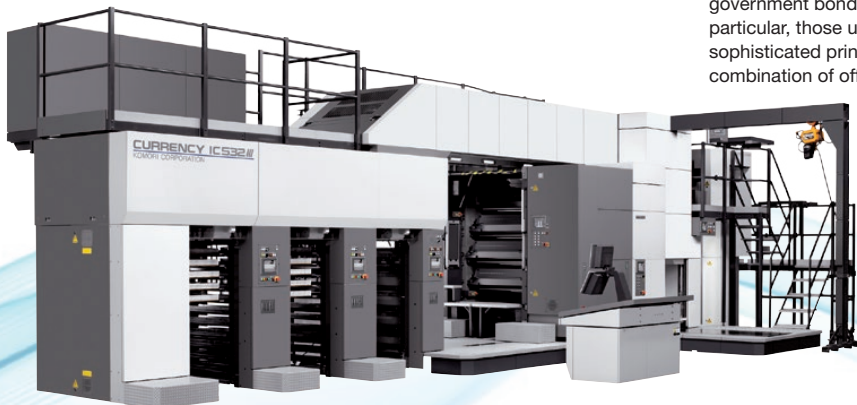




## Security Printing Presses

### Security and Banknote presses

Komori's security printing presses are specifically suited for applications requiring robust anti-counterfeiting technology, including banknotes, government bonds, postal stamps, revenue stamps and passports. In particular, those used for banknote printing are fully equipped with highly sophisticated printing technologies that ensure inimitability thanks to the combination of offset printing, intaglio presses and number inline coaters.



Intaglio press (IC 532III)

## Printed Electronics (PE)

### Double-Sided Vertical Screen Printer

Screen printing boasts superior flexibility capable of printing on various types of materials with complex shapes and is used in manufacturing processes for a variety of electronic device components, including substrates. However, screen printing has long been regarded as limited to single-sided printing. In defiance of this common sense assumption, Komori's ongoing development efforts have succeeded in creating a revolutionary screen printer equipped with a double-sided printing mechanism.



Semiautomatic double side vertical screen printer (SSA-DSV650-R)

### A three-production-base system

The Tsukuba Plant (Tsukuba City, Ibaraki Prefecture, Japan), Komori Machinery Co., Ltd. (Takahata-machi, Yamagata Prefecture, Japan) and Komori Machinery (Nantong) Co., Ltd. (Nantong City, China) are together promoting *Monozukuri (Manufacturing) Innovation* activities. Specifically, these plants are pushing forward with the reshuffling of their production items and comprehensive restructuring of production systems, from facilities to supply chain management. Through these efforts, Komori is striving to deliver products that are more appealing to customers while transforming its profit structure.



Impremia IS29

## Advancing the R&D and manufacture of printing machinery




The Tsukuba Plant  
(Tsukuba City, Ibaraki Prefecture, Japan)



Komori Machinery Co., Ltd.  
(Takahata-machi, Yamagata Prefecture, Japan)



Komori Machinery (Nantong) Co., Ltd.  
(Nantong City, China)



## Message from the Chairman



In line with its management philosophy, the Komori Group strives to deliver *Kando*—customer satisfaction beyond expectations—throughout its day-to-day business activities. Building on our unwavering commitment to pursuing customer satisfaction, this management philosophy aims to constantly deliver products and services that are more than satisfactory and inspiring to our customers.

In recent years, Japan has seen a spate of corporate misconduct scandals, with one major corporation after another found to be fabricating quality data. This is something that no manufacturer can take lightly, and we are firmly determined not to let such an incident happen within the Komori Group.

Since its founding in 1923, Komori has built an extensive track record in manufacturing. In the course of serving a vast number of customers, thanks to the dedication of its people, Komori has earned a reputation for stand-out technologies and recognition as a trustworthy brand. To protect our hard-earned reputation and brand strength, we are ever more focused on delivering *Kando*, customer satisfaction beyond expectations, through manufacturing. The Komori Group is now poised to take a step toward the next stage; as we move forward, all of us will remain true to this approach and thus fulfill Komori’s mission as a manufacturer.

As of April 2018, the Komori Group has entered the final year of the Fifth Medium-Term Management Plan. Coincidentally, in the same fiscal year we will celebrate the 95th anniversary of our founding. In this milestone year, we will accelerate our efforts to reach a new growth stage and, to this end, increase our focus on the plan’s three key transformative initiatives, namely, “transforming the business structure,” “achieving business model innovation in sales activities” and “transforming the profit structure.” At the same time, we will strive to redesign our organizational structure and corporate culture over the five-year period leading up to the celebration of the centennial of Komori’s founding. Specifically, we aim to better encourage employees to take on new challenges in order to secure sustainable business growth over the medium to long term. In addition to pushing ahead with these initiatives, we will rally our overall strength to realize the aforementioned management philosophy, with every officer and employee tirelessly working to deliver *Kando*, customer satisfaction beyond expectations. We are confident that through these endeavors we can enhance our corporate value over the long term.

Looking ahead, we sincerely ask for your continued support and encouragement.



Yoshiharu Komori  
Representative Director, Chairman and CEO



*Bringing together our expertise in offset and digital printing, we will blaze a new path in printing technologies while enhancing our corporate value through ongoing transformative initiatives and relentless efforts to deliver Kando—customer satisfaction beyond expectations.*

Satoshi Mochida  
Representative Director, President and COO

**Q1**

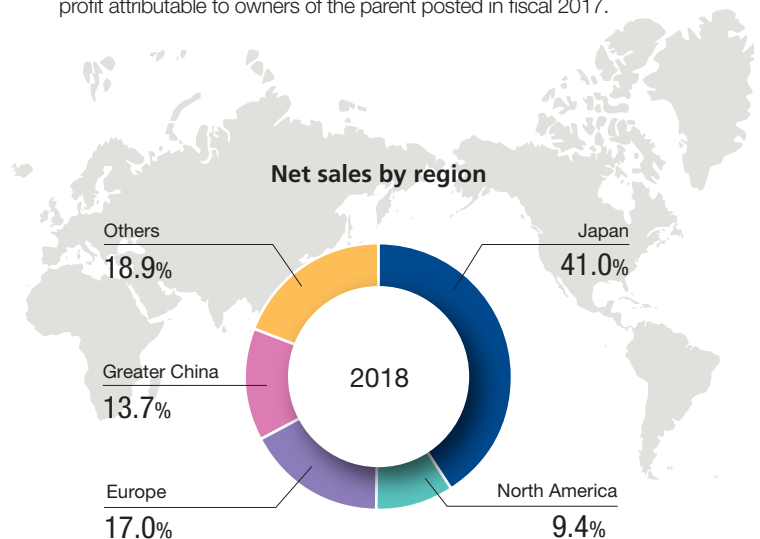
**Please describe the operating environment and Komori's business performance during fiscal 2018, the year ended March 31, 2018.**

**A** During fiscal 2018, such developed countries as Japan, Europe and the United States enjoyed ongoing economic recovery, while emerging nations, including China and those in elsewhere in Asia, saw signs of recovery. In the domestic market, demand for facility upgrades aimed at reducing cost and enhancing operational efficiency remained firm.

In the United States, printing companies remained cautious toward making capital expenditure in offset printing presses due to increasingly diversified printing needs reflecting a prevailing trend toward printing requests involving multiple printing items and small print runs. Turning to Europe, capital expenditure was sluggish in the United Kingdom due to Brexit-related issues. In contrast, demand in other key European markets was firm. In China, the ongoing maturation of the economy triggered structural changes in the market, driving a growing number of small and mid-sized printing companies from the industry. However, there has been significant growth in demand for automated, labor-saving printing facilities, package printing presses and other high-value-added models thanks to orders from major printing firms. Moreover, China Print 2017 (the Beijing International Printing Technology Exhibition held in May 2017) further stimulated the aforementioned growth in demand, leading to recovery in overall demand for printing machinery. In India—a promising market boasting burgeoning potential second only to China among Asian countries—the Company began seeing gradual improvement in the volume of orders for printing presses in the fourth quarter of the fiscal year under review, following a temporary stagnation in demand attributable to economic disorder caused by the July 2017 introduction of the Goods and Services Tax (GST).

In the security printing press market, the Company recorded stable sales. This was thanks to the robust volume of orders it secured in the previous fiscal year. However, among orders received in fiscal 2018, only a handful was associated with major facility projects, which are usually decided by international bidding.

Amidst these circumstances, orders received totaled ¥88.4 billion, marking a slight decrease of 1.4% year on year. Net sales were ¥94.2 billion, up 8.7% year on year, thanks to such factors as an upturn in the Chinese market. Operating income stood at ¥3.7 billion, approximately 2.2 times the operating income recorded in the previous fiscal year. This was due mainly to the increase in net sales and the positive effect of the depreciation of the yen. Profit attributable to owners of the parent grew significantly year on year to ¥3.1 billion, approximately 4.7 times the profit attributable to owners of the parent posted in fiscal 2017.



## Q2

### Please tell us about key initiatives undertaken during fiscal 2018.

**A** Demand for publishing and commercial printing has been stagnant in developed countries since the early 2000s, reflecting advances in information and communications technology and the diversification of media. However, demand for package printing, which is essential to the marketing of consumer goods, has seen firm growth in markets worldwide. At the same time, printing industry players in developed countries are shifting their business models from mass-production printing to high-value-added, high-quality printing services involving multiple printing items and small print runs, and major printing firms in emerging nations are following suit. As the printing business model undergoes this major, global shift, the industry is facing a number of pressing challenges, such as surging personnel costs and a lack of human resources, especially veteran operators. As a result, a growing number of printing firm managers are considering adopting more sophisticated facility administration methods and upgrading their printing machinery. Given that these factors are becoming ever more important to enhancing productivity and printing quality, reexamining current printing processes is now a critical management issue.

To help printing companies address this issue, Komori introduced KP-Connect (KOMORI SOLUTION CLOUD), an IoT solution capable of connecting offset printing presses, digital printing systems, peripheral equipment and the other components of customers' printing lines. By doing so, this solution makes it easier to check the operational status of customers' printing facilities. This, in turn, has better positioned Komori to expand the scope of its services aimed at helping customers resolve the business challenges they are facing. Having positioned KP-Connect as a flagship system supporting our Print Engineering Service Provider (PESP) business, our plans call for expanding it with an ever-broader range of functions.

At China Print 2017 (the Beijing International Printing Technology Exhibition), Komori demonstrated its LITHRONE GX40RP, a cutting-edge offset printing press capable of performing high-speed double-sided printing, and its Impremia IS29, an innovative digital printing system. Komori also exhibited its state-of-the-art ICT-based solutions



China Print 2017

An open house event held at Komori Machinery Co., Ltd. for package printing press users

designed to make it easier to check the operational status of printing facilities and facilitate the automation of printing operations. By doing so, Komori helped attendees understand how its offerings can create new business models via the integration of offset and digital printing as well as the potential of its ICT systems as labor-saving solutions.

Moreover, the Company held an open house event titled KOMORI Packaging Solutions on the premises of consolidated subsidiary Komori Machinery Co., Ltd. (Yamagata Prefecture) in September 2017. In the presence of some 70 users attending this event from India and Southeast Asian nations, which represent rapidly emerging economies, Komori demonstrated package printing solutions employing a new model in the LITHRONE G37 line that is specifically optimized for package printing. Attendees were also invited to take a close look at samples of paper processed using the Apressia CT (a post-press paper cutter). By doing so, we helped them understand how much our solutions can boost their competitiveness in the face of rapid growth in the package printing markets of emerging nations.

In the printed electronics (PE) business, Komori entered into an agreement with NextFlex, a U.S. national institute, in December 2017. Under this agreement, the Company will take part in a collaborative development initiative to commercialize new technologies with NextFlex. Working as an equipment affiliate of NextFlex, Komori expects that this move will position the Company to make significant progress in its efforts to develop its PE business.

## Q3

### Please tell us about progress in your initiatives under the Fifth Medium-Term Management Plan.

**A** Having launched the plan in April 2016, we have been decisively pushing forward with ongoing transformative initiatives. These initiatives are aimed at shifting from our conventional business model, which has been dependent on the offset printing press business, to a new business model backed by a more diversified portfolio. Specifically, we are striving to develop a portfolio encompassing such new businesses as the security printing press business targeting overseas customers, the digital printing system (DPS) business and the PE business. We also intend to nurture the PESP business into a strong business pillar supporting the portfolio. The PESP business aims to provide a variety of solutions to meet customer needs. To accomplish these goals, we have focused on promoting such key initiatives as “transforming the business structure” and “achieving business model innovation in sales activities.” With the aim of “transforming the profit structure,” we have also been striving to build a more efficient production structure backed by three key production bases (located in Tsukuba, Ibaraki Prefecture; Takahata-machi, Yamagata Prefecture; and Nantong, China) to secure stable profit in the face of the prevailing industry trend toward multi-product and small-lot production.

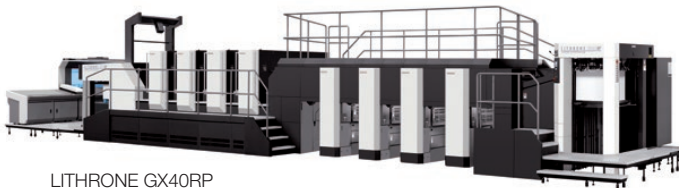
Although we have accomplished a number of successes over the two years since the launch of the plan, we have yet to meet our sales targets. One factor behind this result has been the greater-than-expected decline in sales in the offset printing press business. More

specifically, the Chinese economy shifted away from its previous growth track and decelerated earlier than anticipated. This led to prolonged stagnation in demand. Also, sales of printing machinery remained slow in the Indian market due to sluggish demand reflecting disorder caused by the withdrawal of high denomination currency and the introduction of a new tax law. We did not accurately predict the timing of demand recovery in these two key market regions that represent significant potential demand. This was the most significant reason for the decline in sales of offset printing presses. In addition, sales in the DPS business were less than expected and failed to make a notable contribution to overall net sales. This is attributable to delays in business development due to significant technological challenges in the development of the Impremia IS29 as well as time spent cultivating demand for the kind of business model that this digital printing system enables. Because of this delay, we were unable to take orders for these systems for an extended period. Regrettably, the pace of our transformative initiatives has lagged behind our initial estimation due to these factors.

## Q4 Could you please elaborate on the initiatives you mentioned above?

### (1) Offset Printing Press Business

**A** We have expanded the lineup of the LITHRONE G37 series A1-size offset printing press that is capable of accommodating paper as large as 37 inches despite its compact housing. This move was aimed at better serving package printing press users in emerging nations and seizing opportunities arising from future market growth. In Japan, targeting the package printing press market, we have released the LITHRONE GX44RP, which is capable of performing single-pass double-sided printing and significantly improving production efficiency. In China, we have introduced such products as the LITHRONE GX40RP series, which comprises printing presses capable of performing single-pass double-sided printing, as well as other high-value-added models boasting automated printing mechanisms that help users realize labor-saving printing operations. By doing so, we are striving to satisfy local customer needs. Coinciding with an upturn in demand, the release of these new models helped Komori reclaim an increased presence in the Chinese market in terms of volume of orders from local customers. In India, a key market region boasting burgeoning economic growth, Komori made local distributor Insight Communication & Print Solution a Group subsidiary in April 2018 via the acquisition of its shares. Looking ahead, we will leverage the network of the newly acquired subsidiary to strengthen our local sales and service structure and increase our market share across India.



LITHRONE GX40RP

### (2) Security Printing Press Business Targeting Overseas Customers

In 2009, Komori geared up its efforts to expand the security printing press business and started reaching out to markets overseas. As a result, the Company was able to achieve significant growth, mainly in emerging nations. After securing orders for large facilities from Bangko Sentral ng Pilipinas (the Central Bank of the Philippines) in 2011, Komori received orders from central banks and private currency printing firms in countries around the world, including Indonesia, the UAE, the Democratic Republic of the Congo, the United Kingdom and the United States. For example, the Bank of England's new £10 notes, printed using Komori currency printing facilities equipped with cutting-edge printing technologies, have been circulating following their successful release in September 2017. As such, Komori has proven itself a currency printing press supplier that boasts outstanding technological strength and is capable of satisfying needs for innovative printing technologies and anti-counterfeiting technologies in developed countries. We are also helping meet growing banknote demand in emerging nations in Asia and elsewhere. Going forward, we will strive to enhance Komori's brand strength around the world and secure greater market presence while developing next-generation models.

### (3) DPS Business

Although we have experienced delays in the development of the Impremia IS29 digital printing system, we were able to begin delivering the system to core users in Japan, the United States, Europe and China in 2016. As a result, the Impremia IS29 garnered extremely favorable customer reviews for its superior printing quality that is comparable to offset printing presses. This model's remarkable success is also attested to by the fact that the Komori Group was chosen to receive the 2017 InterTech™ Technology Award for the Impremia IS29's outstanding performance. Founded by the Printing Industries of America (PIA) in 1978, the InterTech™ Technology Award is esteemed as a prominent industrial award and is aimed at commending technological breakthroughs that are expected to make a significant impact on the field of graphic arts and other relevant industries. Using this award as a springboard, Komori is determined to step up the marketing of the revolutionary Impremia IS29 digital printing system, targeting customers around the globe.



The Impremia IS29 and the InterTech™ Technology Award logo

#### Award-winning Products under the InterTech™ Technology Award Program

1993	APC automatic plate changer
2003	LITHRONE S40, 40-inch sheet-fed offset printing press
2011	H-UV instant curing system

#### (4) PE Business

Having entered into an agreement with NextFlex with regard to the joint development of flexible hybrid electronics (FHE) technologies,\* Komori is committed to providing NextFlex with PE solutions backed by the Company's gravure offset printing technologies suited for extremely precise fine-line printing. We will begin by leasing PEPIO F6 gravure offset printing presses for ultrafine-line circuit printing to NextFlex. In the face of a rapid rise in semiconductor demand due to growing calls for IoT-driven solutions aimed at realizing a smart society, FHE technologies are expected to play a key role in efforts to meet such demand. Acting in collaboration with NextFlex, Komori will help achieve breakthroughs in FHE-related manufacturing technologies and realize superior precision in fine-line circuit printing not achievable with conventional printing technologies. These efforts are expected to make a significant contribution to the creation of innovative electronic devices.



Also, in February 2018 Komori announced its decision to invest in PI-CRYSTAL, INC., a start-up based in Osaka, Osaka Prefecture, Japan. PI-CRYSTAL is pursuing the commercialization of organic electronics technologies. This investment will, I believe, help bring together PI-CRYSTAL's sophisticated and unique semiconductor technologies and Komori's PE technologies, leading to the creation of technologies for the mass production of new sensor devices.

\* Flexible hybrid electronics are devices that combine printed electronics and cutting-edge semiconductor packaging technologies. The advancement of FHE technologies is much anticipated, as FHE may provide manufacturing solutions that enable the low-cost manufacture of a variety of high-quality electronics thanks to the strength of electronic circuit production processes that employ printing technologies.

#### (5) PESP Business

To promote its unique PESP business approach, Komori has developed a comprehensive lineup of printing-related solutions. These include peripheral equipment and printing supplies designed to enhance user convenience and maintenance, inspection and facility retrofit\*\* services, as well as training programs provided at the Komori Graphic Technology Centers (KGCs) to help customers develop skilled operators.

For example, we aim to help customers catch up with the growing trend toward the use of automated machinery for binding and other post-press processing. To this end, we have been working to expand our lineup of automation and labor-saving solutions. As a result, we can now suggest to customers such solutions as the Apressia CTX series, a paper cutter incorporating automated sheet-feeding functions, and the Apressia MB series, which automatically removes the margin from sheets processed with die-cutters, thereby eliminating the need for repetitive manual labor.

In addition, KP-Connect is an IoT-driven system that makes it easier to check the operational status of printing machinery. This system also connects Komori with customers and better positions the Company to devise solutions for challenges customers are facing. Furthermore, when coupled with the K-Support preventive maintenance service program, KP-Connect empowers users to achieve even greater facility utilization and operational profitability. For more details about our PESP business, please also see the Special Feature (page 10).

\*\*Repairs or upgrades of aging facilities to add new value that is comparable to that of newer, cutting-edge facilities

## Q5

**Please explain why Komori made Insight, a local distributor in India, a Group subsidiary.**

**A** India boasts a population of 1.3 billion, fully of half of which is under 25 years old. Because of this, burgeoning growth in personal consumption is anticipated going forward. With this in mind, Komori has positioned India as one of its most important market regions due to the country's potential for medium- and long-term print demand growth. Insight has been acting as Komori's local distributor in India since 2007 and has successfully delivered Komori machinery to a number of printing firms.

Meanwhile, demand for package printing associated with food, beverage and pharmaceutical products has been rapidly growing. This type of demand necessarily leads to demand for offset printing presses manufactured using highly sophisticated technologies. As such, upgrading our local sales and service structure has been a pressing management issue. Komori made Insight a local subsidiary to address this issue and achieve sales expansion. Looking ahead, we will help strengthen Insight's management structure while striving to cultivate potential demand for printing machinery. Furthermore, we will develop an even more robust service structure that will help Komori earn customer trust. We will thus work together with Insight to serve the Indian market, delivering products and solutions that best meet local customer needs.

## Q6

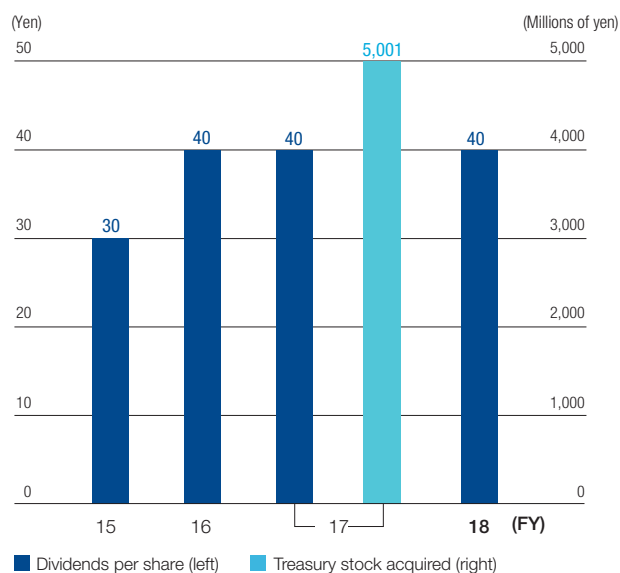
**How does Komori approach environmental, social and governance (ESG) issues, which are increasingly important to corporate management and CSR?**

**A** First and foremost, we believe that properly addressing ESG issues must be an integral part of business management. This is also essential to achieving medium- to long-term growth in corporate value. Since our founding, we have been acutely aware of our responsibilities as a corporate citizen. Accordingly, we have striven to steadily advance CSR activities based on the conviction that addressing environmental and social issues is essential to protecting the common resources upon which all of society, including us, depends. Guided by this conviction, we have also developed a code of conduct aimed at ensuring that our business activities always live up to the trust of all our stakeholders. Furthermore, we have upgraded our CSR activities in step with our business growth. These activities now encompass both our products and every aspect of production, from R&D to procurement, manufacture and disposal.

Drawing on our track record in these activities, we are confident that Komori can engage in constructive dialogue with investors who practice ESG-oriented investment and financing. Komori assesses its accomplishments in this area using its ranking in the Nikkei financial paper's Environmental Management Survey. Based on this survey, Komori was ranked 93rd (fiscal 2017) among Japanese corporations in terms of total performance calculated by aggregating scores in five categories: "Environmental management framework," "Addressing pollution issues and protecting biodiversity," "Recycling," "Product-

related measures,” and “Global warming countermeasures.” Our ranking is the highest among domestic printing machinery makers and 12th highest among domestic machinery makers. In fiscal 2018, we aim to secure an overall ranking of 80th or higher. For more details on our ESG initiatives, please see Komori’s *Environmental and Social Responsibility Report*.

### Shareholder Returns



### Q7

#### Please tell us your outlook for fiscal 2019 and Komori’s policies on shareholder returns.

**A** Demand for printing machinery is expected to continue to increase in developed countries, albeit modestly, while growing firmly in emerging nations in Asia and elsewhere. Amid this operating environment, Komori is planning to participate in the IGAS 2018 International Graphic Arts Show held in Tokyo in fiscal 2019. At this event, Komori will demonstrate a number of new offerings. These include KP-Connect and other ICT solutions aimed at promoting production process innovation; cutting-edge offset printing presses (for commercial printing and package printing) designed with an eye to the upcoming dominance of fully automatic printing operations; the Impremia IS29, a digital printing system expected to help create new business models; and PESP products, which have come to boast an extensive lineup. We will also strive to meet increasingly diverse customer needs in the Chinese market. To this end, we will aggressively introduce new products, aiming to solidify our market presence, which we have recently reclaimed after a period of stagnation.

Furthermore, we will employ our newly acquired local subsidiary in India as a strategic base for upgrading our local sales and service structure. In the security printing press business, we anticipate an increase in the number of major projects up for public bidding, especially in emerging Asian nations. Seizing this opportunity, we will endeavor to help our potential customers understand Komori’s outstanding technological capabilities, its recent sales achievements

and its brand strength in order to secure orders. In the PESP business, we will focus on developing new products and boosting our sales capabilities with the aim of securing greater profit. Through these initiatives, we aim to achieve net sales of ¥101 billion and operating income of ¥3.1 billion in fiscal 2019.

Komori is committed to enhancing shareholder returns. We aim to ensure a total shareholder return ratio of 40% or greater in line with our basic policy of maintaining stable cash dividends and flexibly acquiring treasury stock.

Taking the aforementioned into account, the Company’s fiscal 2018 annual dividend will amount to ¥40 per common share, comprising an interim dividend of ¥20 per common share and year-end dividend of ¥20 per common share. For fiscal 2019, the Company plans to pay an annual dividend of ¥40 per common share. This will, likewise, comprise an interim dividend of ¥20 per common share and year-end dividend of ¥20 per common share.

### Q8

#### Lastly, please share any message you have for shareholders.

**A** Komori is developing increasingly sophisticated offset printing technologies and is poised to utilize rapidly advancing digital printing technologies with growing future potential. Moreover, the Company boasts an array of solutions that employ IoT technologies to realize production process innovation at printing facilities. We expect that all these offerings will help Komori realize business innovation and play a pioneering role in the printing industry in the future. Specifically, we are focused on solidifying our position as a print engineering service provider capable of satisfying customer needs in a comprehensive manner, thereby enhancing our corporate value.

In addition, we are confident that new businesses now being developed via our ongoing measures aimed at transforming the business structure and achieving business model innovation in sales activities, two key initiatives under the current Medium-Term Management Plan, will eventually become business pillars that serve as powerful driving forces toward sustainable growth. Fiscal 2019 is the final year of the Fifth Medium-Term Management Plan. This year is also a milestone year in which we will celebrate the 95th anniversary of Komori’s founding. Having closely examined our operating results for the most recent two years, we are determined to work steadily to accomplish the objectives of our transformative initiatives. Moreover, we will clarify our medium- to long-term vision for a new growth stage as we approach the centennial year of Komori’s founding.

We sincerely ask our shareholders for their continued support and encouragement.

Satoshi Mochida  
Representative Director, President and COO

# Expanding Globally with PESP

Offerings That Realize Superior Quality, Stability and Productivity

Since its founding in 1923, Komori has done its utmost to address customer requests by fully leveraging its technologies to deliver trustworthy printing presses. Today, Komori is striving to meet growing calls from the printing industry for solutions that improve operational productivity. To this end, the Company is promoting a Print Engineering Service Provider (PESP) business approach that aims to deliver comprehensive printing solutions through the optimal combination of its wealth of printing technologies and the

software, hardware and other components developed by its partner companies.

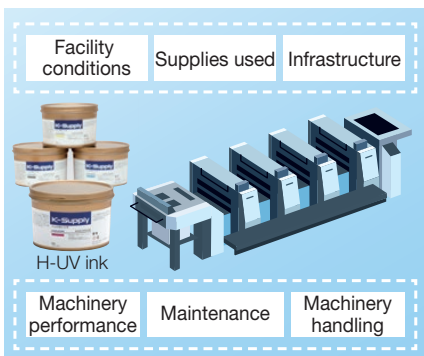
Built on a core of offset and digital printing technologies, the PESP business encompasses all aspects of the printing process. In fact, Komori boasts a wide variety of PESP solutions, ranging from printing supplies and post-press equipment to IoT-driven systems designed to make it easier to check the operational status of printing machinery.

## PESP Solutions

### 1. “K-Supply Series” Printing Supplies Optimized for Komori Printing Presses

The K-Supply brand boasts a comprehensive lineup of printing supplies and expendables. This has positioned Komori to provide wide-ranging services, including those aimed at assisting in printing quality control, ensuring swift troubleshooting and facilitating cost reduction.

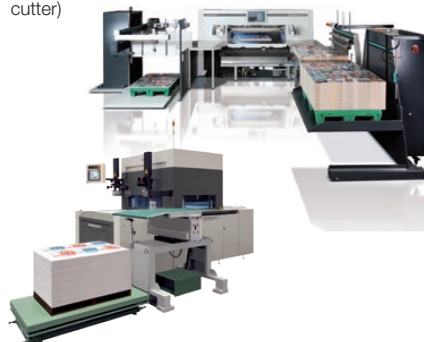
When it comes to ensuring printing quality, switching the type of printing supplies used often proves to be only a temporary solution. Rather, it is important to carefully maintain and improve machinery against changes in the external environment and aging. In this regard, Komori boasts a wealth of unique know-how as a printing machinery maker. Taking advantage of this strength, Komori provides printing supplies in combination with machinery maintenance services, thereby assisting its customers in their quality management efforts.



### 2. “The Apressia Series” Post-Press Equipment—A Powerful Tool for Automation and Labor Saving

Post-press equipment is a key part of Komori’s peripheral equipment lineup. This equipment includes paper cutters, flatbed die-cutters and blanking automation systems equipped with a variety of labor-saving mechanisms. Among these, the Apressia CTX series paper cutter is available with such options as an enhanced automatic paper-feeding mechanism that eliminates the need for burdensome manual paper loading while also boasting Auto Waste Removal (AWR) functions. The Apressia series thus serves as a powerful tool to remove a major bottleneck in the printing process, helping users raise operational efficiency, address issues arising from human resource shortages and improve their working environments.

Apressia CTX115 (High-speed, high-precision paper cutter)

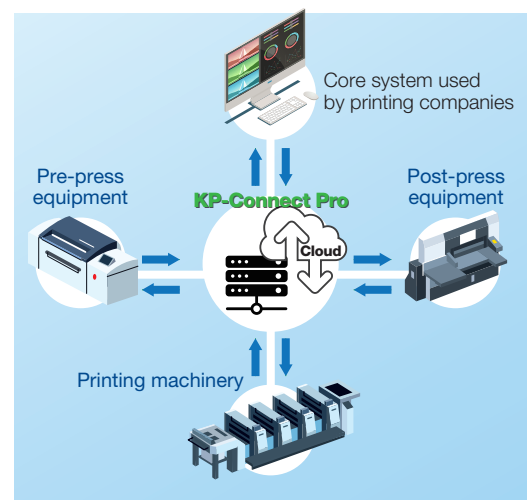


Apressia MB110E (Automated blanking system)

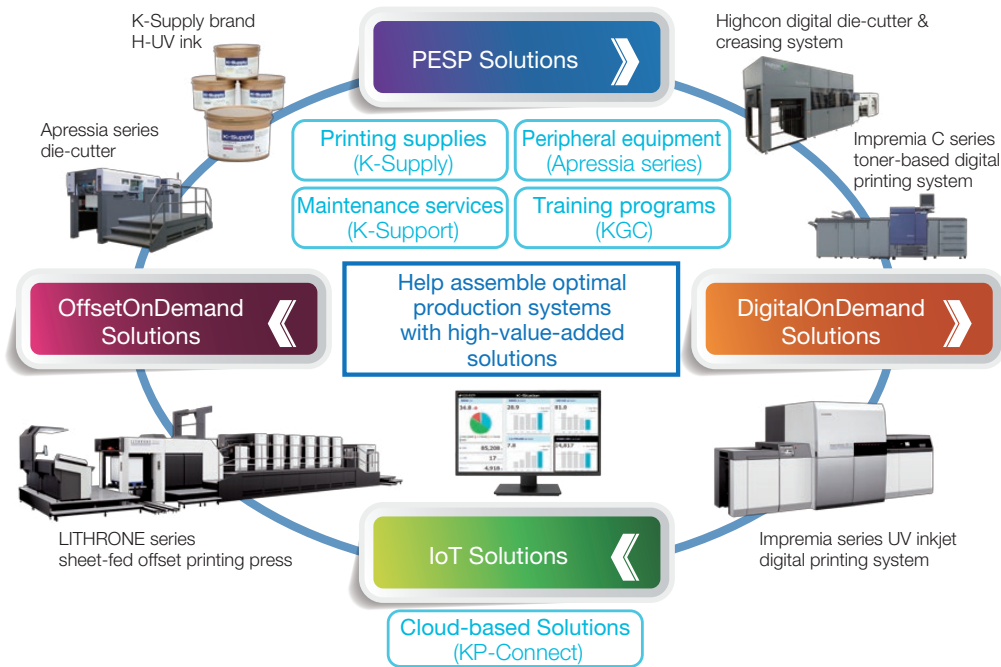
### 3. IoT-Driven “KP-Connect” Systems Make Checking Operational Status Easier

“KP-Connect” is the flagship brand representing Komori ICT Solutions. Built using cutting-edge IoT technologies, “KP-Connect” links users’ printing facilities and Komori via a cloud platform. This system is designed to make it easier to check the status of printing machinery and equipment in operation. Moreover, this system will position Komori to

KP-Connect

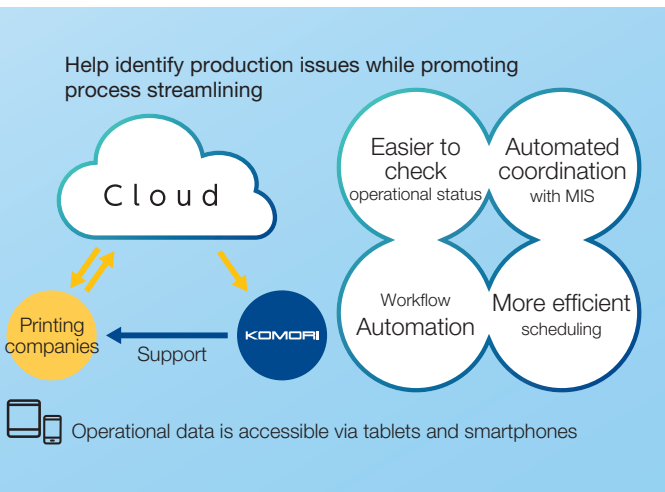


## Print Engineering Service Provider (PESP) Business



suggest better solutions for issues identified in printing processes. In these ways, “KP-Connect” is expected to help improve facility utilization, standardize printing quality and promote printing process automation.

### How IoT Empowers Printing Facilities



## 4 “K-Support” Preventive Maintenance Services

“K-Support” is a comprehensive preventive maintenance service program that includes periodic facility maintenance and inspections. Based on the status of printing machinery inspected, the “K-Support” program offers optimal maintenance services, such as part replacement. In addition, customers that use both this program and KP-Connect have access to even more effective preventive maintenance services thanks to data on the operations and precise conditions of their machinery that KP-Connect provides.

## 5 The Komori Graphic Technology Centers Offers Wide-Ranging Services

The staff at the Komori Graphic Technology Centers (KGCs) assists customers in their efforts to develop human resources by, for example, providing practical training for frontline printing operators. Moreover, the KGC staff engages in the development of various printing equipment, supplies and software and provides onsite equipment diagnosis and operator training to help resolve challenges customers face. As such, the KGCs serve as hubs for communication aimed at identifying optimal solutions, developing new business models and discovering insights for value creation.

### The Outlook for the PESP Business

On a global basis, Komori is engaged in ongoing initiatives to expand its lineup of cutting-edge printing machinery, printing supplies and peripheral equipment optimized to Komori printing presses as well as ICT solutions and service structures to support these offerings. Employing its PESP business approach, the Company will help resolve management issues confronting customers around the world, thereby realizing its management philosophy, namely, delivering *Kando*—customer satisfaction beyond expectations.

# Directors, Corporate Auditors and Operating Officers

(As of June 20, 2018)

## Directors



**YOSHIHARU KOMORI**

Chairman, CEO and  
Representative Director



**SATOSHI MOCHIDA**

President, COO and  
Representative Director



**EIJI KAJITA**

Director and  
Managing Operating Officer



**MASAFUMI YOKOYAMA**

Director and  
Managing Operating Officer



**KOICHI MATSUNO**

Director and Operating Officer



**ISAO FUNABASHI**

Director and Operating Officer



**MASAMITSU YOSHIKAWA\***

Director



**HARUNOBU KAMEYAMA\***

Director



**KENJI SEKINE\***

Director

## Corporate Auditors

**YUJI ASAKURA**

Corporate Auditor

**SHINJI AMAKO\***

Corporate Auditor

**HIROKO SAKAMOTO\***

Corporate Auditor

**MASAKAZU KAWABATA\***

Corporate Auditor

\* Outside Director/Corporate Auditor

## Operating Officers

**YOSHINOBU KOMORI**

Senior Operating Officer

**JUNYA SHIMADA**

Senior Operating Officer

**YUTAKA IWATA**

Operating Officer

**HIROSHI TAKAHASHI**

Operating Officer

**MASAKI NAKATSU**

Operating Officer

**TOSHIYASU KUBOTERA**

Operating Officer

# Corporate Governance

## Fundamental Concepts

Komori has positioned corporate governance as a key management priority and an essential means to maximize corporate value and fulfill the expectations of all stakeholders, including shareholders, customers, suppliers, local communities, employees and their families. To that end, Komori employs a Company with a Board of Corporate Auditors system as a core part of its corporate governance activities.

Komori also recognizes that securing management transparency, prompt decision making, compliance, and strengthening the audit function are fundamental to corporate governance. Based on these fundamental concepts, the Company pursues efforts to ensure solid corporate governance in all facets of management, including the supervision of management. Specifically, the Company's basic policies for internal control systems are revised every year upon the resolution of the Board of Directors, thereby guiding the development and operation of internal control systems.

Moreover, the Company annually evaluates the status of internal control systems through the CSR and Environmental Countermeasure Planning & Coordination Office, which reports the results at Board of Directors meetings.

## Corporate Organization and Internal Control System

Composed of nine directors (including three from outside the Company) as of June 20, 2018, the Board of Directors meets once a month in principle to determine matters relating to law, fundamental management policies, and other matters of importance as the Company's ultimate decision-making body, while supervising the executive function of directors. Fully observing and widely disseminating the management policies and other decisions made by the Board of Directors, the Board of Operating Officers, which consists of 19 operating officers, is tasked with securing sound business execution toward the achievement of management targets and maximizing corporate value. The Board of Corporate Auditors is composed of four corporate auditors including three outside corporate auditors. Corporate auditors attend and, when necessary, provide their opinions at meetings of major importance, such as the Board of Directors meetings, thereby auditing the executive function of directors.

To ensure rapid decision making, Management Meetings, chaired by the president and attended by the operating officers in charge of corporate planning, production, development, sales and administration divisions together with corporate auditors as observers, are held to deliberate and formulate policies relating to key management issues and the Company's medium-term management plan.

## Internal Audits and Audits by Corporate Auditors

Examining the business affairs of the Group as a whole to ascertain whether they are being performed appropriately and efficiently, four staff members conduct internal audits under the auspices of the Internal Audit Office, which is directly controlled by the president.

Corporate auditors conduct audits on directors in the execution of the latter's duties in accordance with the auditing standards set by the Board of Corporate Auditors.

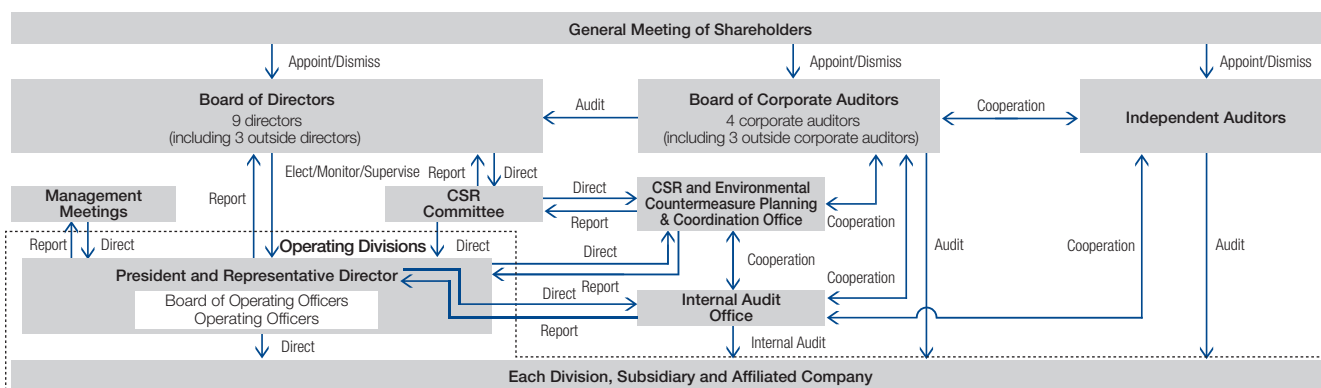
In addition to regular meetings, corporate auditors hold meetings with the Internal Audit Office on an as-required basis so as to avoid the duplication of respective audit plans and to share information. Based on the results of previous audits, they also verify and confirm the status of business execution at operating divisions and exchange opinions on matters such as follow-ups and improvements.

Corporate auditors liaise closely with independent auditors in their daily business and receive reports related to ongoing audits from the independent auditors as necessary. In addition, corporate auditors exchange opinions on outlines of audit plans, including internal control audits, and share information on significant audit matters. While receiving such regularly scheduled information as the results of fiscal period-end audits, quarterly reviews and internal control audits and ensuring the useful exchange of views, corporate auditors accompany independent auditors on their rounds, auditing operating bases and conducting inspections of physical inventory, as necessary, in pursuit of efficient and effective audits.

## Outside Directors and Outside Corporate Auditors

Outside directors are expected to perform several significant roles, such as monitoring the Board of Directors' business execution from an external viewpoint. The Company has three outside directors as of June 20, 2018. Pursuant to the bourse's Securities Listing Regulations, the Company has notified the Tokyo Stock Exchange of the designation of three outside directors, Masamitsu Yoshikawa, Harunobu Kameyama and Kenji Sekine, as independent directors, as well as three outside corporate auditors, Shinji Amako, Hiroko Sakamoto and Masakazu Kawabata, as independent corporate auditors. The Company designated their status as independent as they have no conflict of interest with the Company's shareholders.

## Corporate Governance Structure (Overview)



## Six-Year Summary of Consolidated Financial Data

Komori Corporation and Consolidated Subsidiaries

Years ended March 31	Millions of yen					Thousands of U.S. dollars (Note 1)	
	2013	2014	2015	2016	2017	2018	2018
Net sales	¥ 69,826	¥ 91,838	¥ 91,260	¥ 95,327	¥ 86,619	¥ 94,169	\$ 886,378
Cost of sales	49,777	61,029	59,190	62,565	59,140	64,883	610,720
Selling, general and administrative expenses	19,505	22,374	25,602	26,168	25,771	25,556	240,554
Operating income	589	8,473	6,490	6,613	1,712	3,733	35,137
Income (loss) before income taxes	(1,700)	10,071	8,122	6,294	824	4,154	39,091
Profit (loss) attributable to owners of parent	(1,900)	13,657	7,570	6,522	658	3,075	28,941
Capital expenditure	1,881	1,367	2,116	3,125	1,454	1,201	11,305
Depreciation and amortization	2,251	2,172	1,860	2,027	2,133	1,889	17,776
R&D expenses	3,806	4,185	5,123	4,975	4,885	4,785	45,039
Total assets	143,957	172,408	184,622	188,174	180,100	182,477	1,717,596
Total net assets	113,722	125,687	135,129	135,890	131,386	132,453	1,246,722
Interest-bearing debt	1,946	11,614	10,260	10,067	10,049	10,198	95,993

Per share:	Yen					U.S. dollars (Note 1)	
	2013	2014	2015	2016	2017	2018	2018
Net income (loss)—primary	¥ (30.66)	¥ 220.39	¥ 122.16	¥ 105.26	¥ 10.94	¥ 52.81	\$ 0.50
Net assets	1,835.17	2,028.31	2,180.73	2,192.83	2,256.47	2,274.80	21.41
Cash dividends	10.00	15.00	30.00	40.00	40.00	40.00	0.38

Financial indicators:						%	
	2013	2014	2015	2016	2017	2018	2018
Return on sales (Note 2)	0.8%	9.2%	7.1%	6.9%	2.0%	4.0%	
Equity ratio	79.0	72.9	73.2	72.2	73.0	72.6	
Return on total assets (Note 3)	(1.3)	8.6	4.2	3.5	0.4	1.7	
Return on equity (Note 4)	(1.7)	11.4	5.8	4.8	0.5	2.3	
Payout ratio (Consolidated basis)	—	6.8	24.6	38.0	371.1	75.7	

Debt-to-equity ratio (Note 5)						Times	
	2013	2014	2015	2016	2017	2018	2018
	0.02	0.09	0.08	0.07	0.08	0.08	

Number of employees at fiscal year-end							
	2013	2014	2015	2016	2017	2018	2018
	1,814	1,784	2,106	2,189	2,195	2,227	
Number of shares outstanding at fiscal year-end (Note 6)							
	2013	2014	2015	2016	2017	2018	2018
	61,968,017	61,966,269	61,964,950	61,963,823	58,226,447	58,225,619	

Notes: 1. U.S. dollar amounts are converted from Japanese yen for convenience only at the rate of ¥106.24 = US\$1.00.

2. Return on sales = Operating income (loss)/Net sales X 100

3. Return on total assets = Profit (loss) attributable to owners of parent/Average total assets X 100

4. Return on equity = Profit (loss) attributable to owners of parent/Average net assets X 100

5. Debt-to-equity ratio = Interest-bearing debt/Equity

6. Number of shares outstanding at fiscal year-end does not include treasury stock.

## Financial Review

### SCOPE OF CONSOLIDATION

The Komori Group consists of Komori Corporation and 19 subsidiaries. As of March 31, 2018, consolidated financial statements included the accounts of the parent company and 18 majority-owned subsidiaries.

### BUSINESS ENVIRONMENT

During the fiscal year ended March 31, 2018, Europe and the United States enjoyed steady economic recovery due to the overall stability of employment, while China and other emerging Asian economies benefitted from robust exports buoyed by the expansion of the global economy. In Japan, modest economic growth continued thanks to rising exports as well as firm personal consumption backed by robust corporate performance.

Despite these circumstances, the printing industry faced prolonged stagnation in demand for publishing and commercial printing. Demand in these fields has since the early 2000s been negatively affected by the advances in information and communications technology and diversification of media in developed countries. However, demand for package printing, which is essential to the marketing of consumer goods, has been growing firmly in markets worldwide. Meanwhile, markets in newly emerging nations were supported by population growth and the expansion of the middle class, both of which, in turn, led to an upturn in print demand despite the impact of economic fluctuations.

In the printing machinery market, demand in the United Kingdom remained sluggish due to a sense of uncertainty regarding the future outlook of Brexit-related issues. In contrast, demand in other key markets in Europe was firm. In the United States, printing companies remained cautious toward making capital expenditure in offset printing presses due to increasingly diversified printing needs reflecting a prevailing trend toward printing requests involving multiple printing items and small print runs. In China, the ongoing maturation of the economy triggered structural changes in the market, driving a growing number of small- and mid-sized printing companies from the industry. However, there has been significant growth in demand for automated, labor-saving printing facilities, package printing presses and other high-value-added models thanks to orders from major printing firms. Moreover, China Print 2017 (the Beijing International Printing Technology Exhibition held in May 2017) stimulated business sentiment, leading to recovery in demand for printing machinery. In India—a promising market boasting burgeoning

potential second only to China among Asian countries—the Company began seeing a gradual improvement in the volume of orders for printing presses in the fourth quarter of the fiscal year under review, following a temporary stagnation in demand attributable to economic disorder caused by the July 2017 introduction of a new tax law. In Japan, demand for facility upgrades associated with offset printing presses remained stable, thanks to needs for such solutions as those aimed at reducing printing cost and enhancing operational efficiency. Also, the strong performance of electronics parts makers helped increase demand for screen printing presses.

### REVENUES AND EARNINGS

In fiscal 2018, consolidated net sales rose 8.7% compared with the previous fiscal year to ¥94,169 million. Overseas sales increased 6.4% year on year to ¥55,575 million. This represented 59.0% of total net sales, a decrease of 1.3 percentage points.

The cost of sales increased 9.7% year on year to ¥64,883 million, with the cost of sales representing 68.9% of total net sales, an increase of 0.6 of a percentage point, despite Komori's ongoing efforts to reduce manufacturing costs. Selling, general and administrative (SG&A) expenses decreased to ¥25,556 million, down 0.8% compared with the previous fiscal year, due mainly to decreases in retirement benefit expenses and shipping expenses. The ratio of SG&A expenses to net sales decreased 2.7 percentage points to 27.1%.

As a result, Komori posted operating income totaling ¥3,733 million, an increase from operating income of ¥1,712 million in the previous fiscal year.

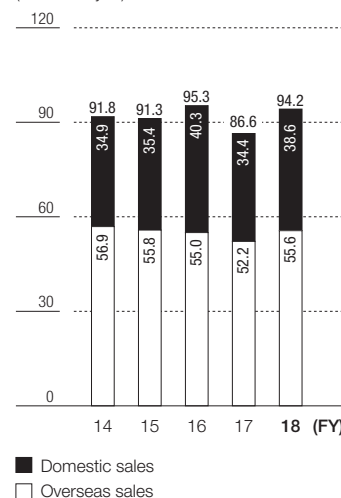
The balance of other income and expenses improved, reflecting the absence of foreign exchange losses totaling ¥516 million recorded in the previous fiscal year as well as the posting of foreign exchange gains amounting to ¥284 million in the fiscal year under review thanks to the depreciation of the yen. As a result, ordinary profit rose 209.1% year on year to ¥4,421 million.

Looking at extraordinary income and loss, Komori recorded impairment loss of ¥129 million in connection with noncurrent assets, an improvement from the ¥553 million recorded in the previous fiscal year, while posting retirement benefit expenses of ¥170 million associated with revisions in retirement benefit systems.

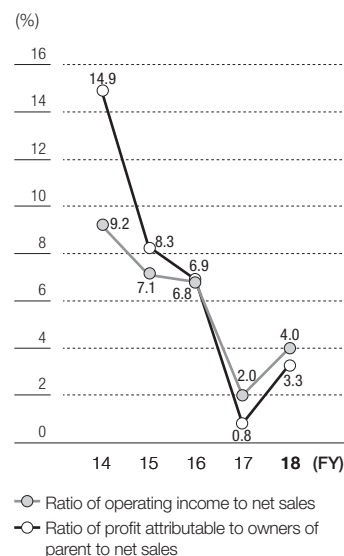
As a result of these and other factors, income before income taxes totaled ¥4,154 million, a significant improvement from ¥824 million in the previous fiscal year. Profit attributable to owners of the parent totaled ¥3,075 million, up 367.6%

### Domestic Sales and Overseas Sales

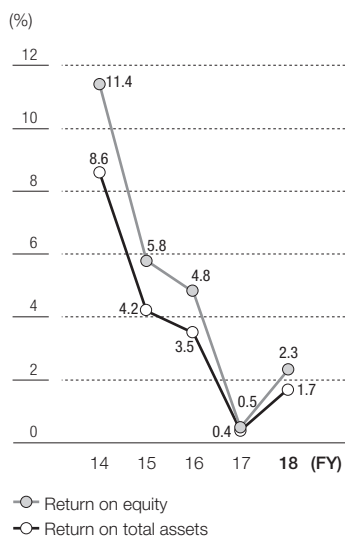
(Billions of yen)



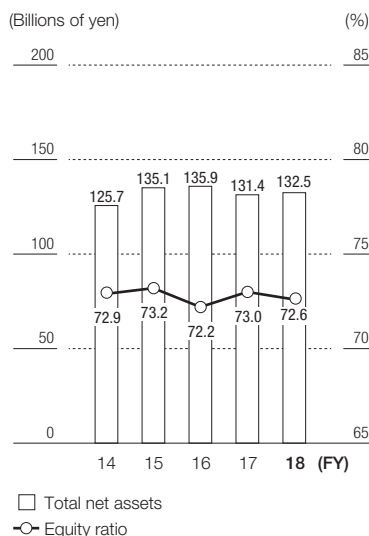
### Ratio of Operating Income to Net Sales, and Ratio of Profit (Loss) Attributable to Owners of Parent to Net Sales



### Return on Equity and Return on Total Assets



### Total Net Assets and Equity Ratio



year on year, despite the posting of income tax adjustments under debt items totaling ¥433 million in connection with the reclassification of deferred tax assets due to U.S. tax reforms enacted in the fiscal year under review.

Basic earnings per share amounted to ¥52.81, an increase from ¥10.94 per share in fiscal 2017.

#### DIVIDENDS

While considering the level of retained earnings required to prudently secure a robust operating platform and ensure future business growth from a long-term perspective, Komori positions the continuous and stable return of profits to its shareholders as a key management priority.

In line with this policy, Komori aims to achieve a total shareholder return ratio of 40% or greater while focusing on maintaining stable dividend payouts. As such, Komori is committed to enhancing shareholder returns in a comprehensive manner.

In addition, the Company maintains a basic policy of paying both an interim and a fiscal year-end dividend. During the fiscal year under review, the interim dividend was determined by the Board of Directors and the fiscal year-end dividend was determined at Komori's Annual General Meeting of Shareholders.

Giving comprehensive consideration to the Company's most recent operating results, Komori paid a full-year dividend of ¥40 per share for fiscal 2018, as it did in the previous fiscal year, made up of interim and fiscal year-end dividends of ¥20 per share and ¥20 per share, respectively.

#### FINANCIAL POSITION

Total assets as of March 31, 2018 stood at ¥182,477 million, an increase of ¥2,377 million, or 1.3%, compared with the previous fiscal year-end.

Key positive factors contributing to total assets included a ¥4,217 million increase in notes and accounts receivable—trade attributable to sales growth in the fourth quarter of the fiscal year under review, a ¥2,428 million increase in cash and deposits and a ¥2,001 million increase in short-term investment securities. Key negative factors affecting total assets included a ¥3,841 million decrease in inventories; a ¥948 million decrease in investments and other assets; a ¥992 million decrease in property, plant and equipment; and a ¥381 million decrease in intangible assets.

Total liabilities stood at ¥50,024 million, an increase of ¥1,310 million, or 2.7%, compared with March 31, 2017.

The primary factors leading to the increase in liabilities were a ¥746 million increase in income

taxes payable, a ¥582 million increase in electronically recorded monetary obligations and a ¥629 million increase in notes and accounts payable—trade. The primary factors that reduced liabilities included a ¥633 million decrease in current liabilities—other.

As of the end of the fiscal year under review, total net assets amounted to ¥132,453 million, up ¥1,067 million, or 0.8%, year on year.

Positive factors contributing to net assets included a ¥3,075 million increase in retained earnings due to the posting of profit attributable to owners of the parent, a ¥265 million increase in remeasurements of defined benefit plans and a ¥154 million increase in valuation difference on available-for-sale securities. Key negative factors included a ¥2,329 million decrease in retained earnings due to the payment of cash dividends.

Taking these factors into account, the equity ratio stood at 72.6%, down 0.4 of a percentage point from 73.0% as of the previous fiscal year-end. Net assets per share rose ¥18.33 to ¥2,274.80 from ¥2,256.47 at March 31, 2017.

#### RESEARCH AND DEVELOPMENT EXPENSES

In the Komori Group's R&D activities, efforts are prioritized in accordance with business strategies as well as the degree of importance and urgency of each project.

The principal R&D activities conducted during the fiscal year under review are set out below.

At China Print 2017 (the Beijing International Printing Technology Exhibition held in May 2017), Komori demonstrated the following solutions: the LITHRONE GX40RP, a 40-inch double-sided sheet-fed offset press equipped with the asynchronous automatic plate changer (A-APC) and the H-UV rapid curing system; the LITHRONE G37, an 37-inch sheet-fed offset press equipped with the H-UV rapid curing system; the Impremia IS29, a sheet-fed 29-inch UV inkjet digital printing system that boasts a high-performance gripper-to-gripper paper transfer device usually installed in offset printing presses and is capable of performing single-pass double-sided printing and UV-based rapid curing; and an array of "KOMORI ICT Solutions." The latter includes KP-Connect, designed to help promote the digitization and streamlining of process management by allowing Komori and printing companies to share detailed facility operational data on a secure cloud database. KP-Connect also boasts such options as automated coordination with the MIS and a work scheduler. Other Komori solutions exhibited at the event included the K-Color Simulator 2, a key

offering representing KOMORI color management systems that helps users of various printing presses (the EPSON inkjet proofer, Komori's Impremia C series models and the Impremia IS29) precisely reproduce ISO-color printing that otherwise would have been impossible without using offset printing presses.

On June 2, 2017, Komori held an open house event to demonstrate the LITHRONE GX44RP, a 44-inch double-sided sheet-fed offset printing press. This epoch-making press has been created by building on the success of the LITHRONE G series and can be used as part of Komori's "OffsetOnDemand" solution. With machinery configurations enabling single-pass double-sided printing, the LITHRONE GX44RP eliminates the need to leave a blank space at the end of each sheet, which is inevitable when using presses with sheet-reversing mechanisms. Thus, the model helps users minimize wasted paper and thereby cut costs. The LITHRONE GX44RP also ensures high-speed, stable sheet feeding for a variety of paper types and thicknesses, from thin paper to cardboard.

Komori America Corporation, a local subsidiary based in Rolling Meadows, Illinois, the United States, was chosen by the Printing Industries of America (PIA) to receive the 2017 InterTech™ Technology Award. The PIA commended this subsidiary for the Impremia IS29's outstanding performance, including 1,200 dpi high-resolution printing, single- and double-sided printing and rapid UV curing as well as its ability to accommodate regular paper and thus relieve users from the need to store specialized paper or pre-treat paper. The InterTech™ Technology Award is a prominent industrial award program aimed at commending technological breakthroughs that are expected to make a significant impact on the field of graphic arts and other relevant industries. The Komori Group has been chosen to receive this award three times before in recognition of the performance of the automatic plate changer (APC), the LITHRONE S40, a 40-inch sheet-fed offset printing press, and the H-UV system. The Group has thus become a four-time prizewinner under this program.

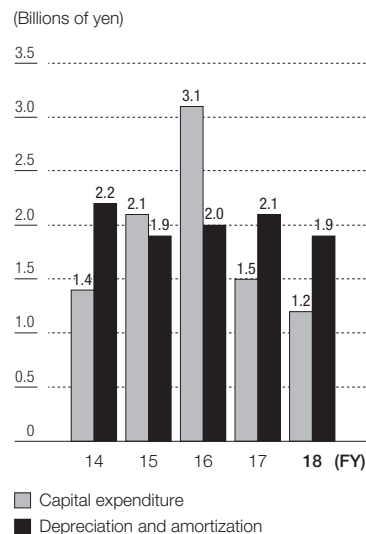
As part of market strategies to promote its package printing presses, Komori strove to enrich the features of the LITHRONE G37 series of 37-inch sheet-fed offset presses while enhancing their performance. To meet significant market needs, the LITHRONE G37 boasts a robust lineup comprising six-color and seven-color printing functions in addition to such options as inline coaters and is capable of accommodating

paper as thick as 0.8 mm. Thus, the LITHRONE G37 helps package printing companies meet growing needs for high-value-added printing services. Also, because it can be used in combination with such options as the H-UV system, Print Quality Assessment System (PQA-S), PDF comparison system and PDC series print density control systems, the LITHRONE G37 empowers users to assemble a highly sophisticated package printing system. By bringing together these options and its stable printing performance with 15,000 impressions per hour (13,000 impressions per hour when using seven-color presses), the LITHRONE G37 will help users achieve stable printing quality and make it easier to detect printing flaws.

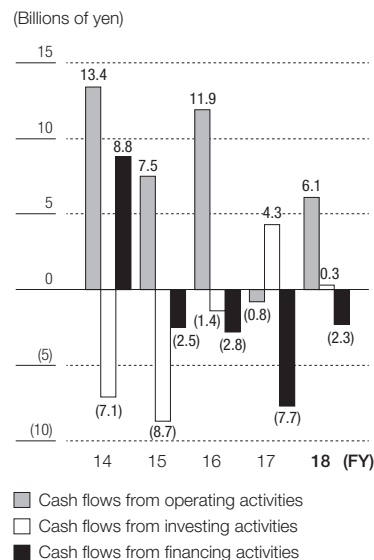
Komori expanded its lineup of Apressia brand post-press equipment by introducing the Apressia MB series, which automates the blanking process. More specifically, the Apressia MB series automatically removes the margin from paper sheets processed with die-cutters. Capable of simultaneously treating 200 sheets per job, the Apressia MB series eliminates the need for manual labor associated with this process—which requires a specific type of proficiency despite being a repetitive task—and helps realize a streamlined, stable printing process. This, in turn, allows users to establish a more precise production schedule. In the course of the development of the Apressia MB series, Komori entered a strategic partnership with LASERCK CORPORATION (Yao City, Osaka) with regard to blanking automation systems and signed an OEM contract with said firm. One model in this series, the Apressia MB110E, has been on the market since January 2018.

In addition, Komori has released the Apressia CTX series high-end paper cutter, a new model sold under the Apressia brand. The Apressia CTX series accommodates a robust range of paper sizes. For example, the Apressia CTX115 is capable of cutting paper as wide as 1,150 mm, while the Apressia CTX92 accommodates paper with a width of up to 920 mm. The Apressia CTX series is equipped with Auto Waste Removal (AWR) equipment, which automatically gets rid of paper waste after cutting sheets. Komori also offers a fully automatic jogging system (FAJS), lifters, unloaders and other peripheral equipment suited for the Apressia CTX series. Moreover, the Apressia CTX series can be coordinated with KP-Connect to transfer its CIP3/ CIP4 operational data via the cloud. This helps automate paper cutting processes from end to end and facilitates the management of the entire printing production process.

### Capital Expenditure, Depreciation and Amortization



### Cash Flows



In the printed electronics (PE) business, Komori entered into an agreement with NextFlex, a U.S. national institute that pursues breakthroughs in flexible hybrid electronics (FHE) technologies. Under the agreement, Komori will take part in a collaborative development initiative as an equipment affiliate of NextFlex to help commercialize new FHE technologies. Komori intends to lease PEPIO F6 gravure offset printing presses for ultrafine-line circuit printing to NextFlex, and plans call for providing the institute with similar PE solutions backed by gravure offset printing technologies suited for extremely precise fine-line printing. The PEPIO series, available via Group subsidiary SERIA CORPORATION, is capable of performing highly precise gravure offset printing to form fine-line circuits and metal mesh circuits with intervals of less than 20 μm and 5 μm, respectively.

Komori participated in Print Doors 2018, a printing equipment exhibition held in January 2018 at Nagoya Trade & Industry Center in Aichi Prefecture. There, the Company demonstrated its LITHRONE G26, a 26-inch sheet-fed offset printing press equipped with the H-UV system, as well as its Apressia CT137 and KP-Connect solutions. Komori garnered praise from attendees by demonstrating the combined performance of the LITHRONE G26 and Apressia CT137, which together produced printed sheets for 200 copies of a four-page A4-size photo book in a very short time. After printing on one side of the sheets, the LITHRONE G26 quickly moved on to perform upside-down printing on the reverse side before the resulting sheets were fed to the Apressia CT137 to be cut. Thus, Komori was able to help attendees understand the LITHRONE G26's operational stability, breathtaking printing speed—a maximum 16,500 impressions per hour—and rapid curing performance backed by the HU-V, as well as the Apressia CT137's user-friendliness.

Total R&D expenses in the fiscal year under review amounted to ¥4,785 million, a decrease of 2.0% year on year. This was equivalent to 5.1% of total net sales.

#### **CAPITAL EXPENDITURE, DEPRECIATION**

Total capital expenditure in fiscal 2018 was ¥1,201 million, a decrease of ¥253 million compared with the previous fiscal year. Komori conducted capital expenditure aimed mainly at developing new businesses. Depreciation and amortization fell ¥244 million to ¥1,889 million.

Looking ahead, Komori plans to engage in capital expenditure totaling ¥2,293 million in fiscal 2019.

#### **CASH FLOWS**

Net cash provided by operating activities in the fiscal year ended March 31, 2018 amounted to ¥6,091 million, a turnaround of ¥6,885 million from net cash used in operating activities of ¥793 million in the previous fiscal year.

Major cash inflows were a ¥4,159 million decrease in inventories, ¥4,153 million in income before income taxes and ¥1,889 million in depreciation and amortization. Principal cash outflows included a ¥6,174 million increase in notes and accounts receivable—trade and a ¥332 million increase in prepaid expenses.

Net cash provided by investing activities was ¥296 million, a decrease of ¥3,965 million from ¥4,261 million provided by investing activities in the previous fiscal year. Principal cash outflows included a ¥948 million net increase in property, plant and equipment and intangible assets as well as ¥613 million in purchase of investment securities. Main cash inflows included a ¥1,835 million net decrease in securities.

Net cash used in financing activities totaled ¥2,341 million, down ¥5,329 million from ¥7,670 million used in financing activities in the previous fiscal year.

The principal components of cash outflows included the payment of cash dividends amounting to ¥2,329 million.

As a result of the aforementioned activities, cash and cash equivalents at the end of the fiscal year stood at ¥58,826 million, an increase of ¥4,173 million, or 7.6%, compared with March 31, 2017.

#### **BUSINESS AND OTHER RISKS**

##### **(1) Fluctuations in foreign currency exchange rates**

The Komori Group's overseas sales represent more than half of its total sales and, accordingly, its performance is subject to movements in foreign exchange currency rates. While our principal markets are Europe, the Americas and Asia (including China), we do not rely on any particular region for our business. In addition, the Company works to reduce risk through the application of foreign exchange forward contracts. Komori does however recognize that significant and volatile movements in foreign currency exchange rates may adversely affect its business performance.

##### **(2) Changes in the market environment**

In light of the evolving business environment, the Komori Group is transforming its business structure with the aim of diversifying its sources of profit. As part of these efforts, the Company is

pushing forward with transformation initiatives centered on the print engineering service provider (PESP) approach, shifting from being a manufacturer of printing machinery to a provider of comprehensive printing technical services. More specifically, Komori is providing solutions that encompass the entire printing process and are aimed at helping resolve various issues printing companies may face. These solutions include a broad lineup of pre-press and post-press equipment as well as ink and other expendables, all of which are optimized for Komori printing machinery. The Company also proposes IoT-based productivity and quality management systems for printing operations. However, as this transformation is still underway, printing machinery sales still account for a large proportion of consolidated net sales, thus exposing the Company to risk attributable to demand fluctuations.

Historically, demand for printing presses is impacted by economic conditions and trends. In other words, capital investment is significantly subdued in periods of economic downturn. Accordingly, in the event of a major economic recession in the Company's principal markets of Japan, Europe, the Americas and Asia, Komori's performance may be significantly affected.

### **(3) Shrinkage of print demand due to the global popularization of digital media**

The printing industry has long seen shrinking print demand, especially in print publishing in developed countries, reflecting the widespread use of the internet and e-books. Accordingly, Komori may face further shrinkage in the printing market going forward if the internet and other digital media quickly become more popular in emerging nations. If such changes occur, the Company's financial condition and business performance may be negatively affected.

### **(4) Stagnation in the expansion of the digital printing system business**

The printing industry is currently undergoing a shift toward printing services involving multiple printing items, small print runs and short turnarounds, reflecting the popularization of personal marketing and other business maneuvers aimed at addressing the needs of individual consumers. With this in mind, the Komori Group has been striving to equip its mainstay offset printing presses to accommodate on-demand printing services and has initiated the development of digital printing systems, which offer strengths in performing print jobs with multiple printing items and extremely small print

runs as well as variable data printing. After launching the marketing of A3-size digital printing presses supplied by an external manufacturer on an OEM basis, the Company released a cutting-edge B2-size digital printing system developed in partnership with Konica Minolta. Furthermore, efforts are now under way to develop a next-generation B1-size digital printing system.

However, the Komori Group's financial condition and business performance could be negatively affected due to such risks as technological breakthroughs achieved by competitors, the entrance of newcomers to the market, a significant change in the printing industry's demand for machinery, or other unexpected events that might hinder the Company in developing its digital printing system business.

### **(5) Damage incurred as a result of the execution of debt guarantees**

In the printing press market, additional services such as providing financing are integral to securing competitive advantage. To this end, the Company on occasion provides a debt guarantee to lease companies and banks for customers who have purchased its products. While the Company maintains a reserve for possible loss on guarantees based on historic data and an individual assessment of each transaction, Komori's performance and financial condition may be impacted by customer bankruptcy due to factors such as an economic recession.

### **(6) Country risk accompanying overseas operations**

The Komori Group has sales subsidiaries in Europe, the Americas, Greater China and elsewhere in Asia and makes more than half of its consolidated net sales in markets overseas. In the event that violent unrest were to break out against foreign-owned companies expanding into these markets, or internal conflicts, acts of terrorism, war, natural disasters or a pandemic were to occur in these regions, the Komori Group's financial condition and business performance could be impacted significantly.

### **(7) Concentration of the production base**

The Tsukuba Plant is the Group's core production base, and if a major earthquake, tornado or other natural disaster were to hit the plant, the plant could suffer damage to manufacturing facilities or the disruption of its supply chain, which could, in turn, cause the plant's entire operations to be suspended. Accordingly, such events may significantly affect the Komori Group's financial condition and business performance.

## Consolidated Balance Sheets

Komori Corporation and Consolidated Subsidiaries

March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
<b>ASSETS</b>			
Current Assets:			
Cash and deposits (Note 3)	¥ 40,713	¥ 43,141	\$ 406,067
Notes and accounts receivable-trade (Notes 3 and 13)	20,065	24,282	228,556
Electronically recorded monetary claims-operating (Notes 3 and 13)	2,027	2,317	21,811
Short-term investment securities (Notes 3 and 4)	18,697	20,698	194,825
Merchandise and finished goods	15,589	11,822	111,278
Work in process	7,667	7,519	70,771
Raw materials and supplies	8,387	8,461	79,638
Current portion of insurance funds	538	208	1,956
Deferred tax assets (Note 10)	4,796	4,636	43,641
Other	1,906	2,086	19,631
Allowance for doubtful accounts	(291)	(378)	(3,555)
Total current assets	120,094	124,792	1,174,619
Noncurrent Assets:			
Property, plant and equipment:			
Buildings and structures	31,775	32,024	301,428
Machinery, equipment and vehicles	19,591	18,428	173,457
Other	7,078	7,046	66,327
Accumulated depreciation	58,444	57,498	541,212
Land	(42,893)	(42,844)	(403,278)
Construction in progress	15,551	14,654	137,934
Total property, plant and equipment	18,195	18,064	170,030
Intangible assets	17	53	501
Investments and other assets:			
Investment securities (Notes 3 and 4)	14,057	12,693	119,475
Deferred tax assets (Note 10)	1,544	1,342	12,632
Insurance funds	6,040	6,363	59,898
Net defined benefit asset (Note 11)	1,001	1,152	10,841
Other	1,348	1,389	13,075
Allowance for doubtful accounts	(200)	(97)	(912)
Total investments and other assets	23,790	22,842	215,009
Total noncurrent assets	60,006	57,685	542,977
Total Assets	¥180,100	¥182,477	\$1,717,596

The accompanying notes are an integral part of these consolidated financial statements.

Thousands of  
U.S. dollars  
(Note 1)

	Millions of yen		2018
	2017	2018	
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities:			
Notes and accounts payable-trade (Notes 3 and 13)	¥ 11,623	¥ 12,252	\$ 115,319
Electronically recorded obligations-operating (Notes 3 and 13)	6,022	6,604	62,164
Short-term loans payable (Notes 3 and 6)	49	198	1,866
Current portion of bonds (Notes 3 and 6)	—	10,000	94,127
Income taxes payable (Notes 3 and 10)	239	985	9,268
Provision for bonuses	1,035	1,087	10,231
Provision for product warranties	859	996	9,379
Provision for loss on guarantees	325	242	2,278
Provision for directors' bonuses	30	40	377
Provision for business structure improvement	58	—	—
Deferred installment income	46	42	403
Other	12,983	12,350	116,246
<b>Total current liabilities</b>	<b>33,269</b>	<b>44,796</b>	<b>421,658</b>
Noncurrent Liabilities:			
Bonds payable (Notes 3 and 6)	10,000	—	—
Deferred tax liabilities (Note 10)	1,234	1,358	12,783
Provision for directors' retirement benefits	27	29	280
Provision for loss on litigation	110	110	1,035
Net defined benefit liability (Note 11)	3,351	3,146	29,612
Other	723	585	5,506
<b>Total noncurrent liabilities</b>	<b>15,445</b>	<b>5,228</b>	<b>49,216</b>
<b>Total Liabilities</b>	<b>48,714</b>	<b>50,024</b>	<b>470,874</b>
Contingent Liabilities (Note 12)			
Net Assets:			
Shareholders' equity:			
Capital stock:			
Authorized: 295,500,000 shares at March 31, 2017 and 2018			
Issued: 62,292,340 shares at March 31, 2017 and 2018	37,715	37,715	354,996
Capital surplus	37,789	37,789	355,691
Retained earnings	58,985	59,731	562,226
Treasury stock, at cost 4,065,893 and 4,066,721 shares at March 31, 2017 and 2018	(5,056)	(5,057)	(47,602)
<b>Total shareholders' equity</b>	<b>129,433</b>	<b>130,178</b>	<b>1,225,311</b>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	4,470	4,624	43,522
Foreign currency translation adjustment	(862)	(959)	(9,030)
Remeasurements of defined benefit plans	(1,655)	(1,390)	(13,081)
<b>Total other comprehensive income</b>	<b>1,953</b>	<b>2,275</b>	<b>21,411</b>
<b>Total net assets</b>	<b>131,386</b>	<b>132,453</b>	<b>1,246,722</b>
<b>Total liabilities and net assets</b>	<b>¥180,100</b>	<b>¥182,477</b>	<b>\$1,717,596</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Income

Komori Corporation and Consolidated Subsidiaries

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Net Sales (Note 18)	¥86,619	¥94,169	\$886,378
Cost of Sales	59,140	64,883	610,720
	27,479	29,286	275,658
Reversal of Unrealized Income on Installment Sales	4	3	33
Gross profit	27,483	29,289	275,691
Selling, General and Administrative Expenses (Notes 7, 8 and 11)	25,771	25,556	240,554
Operating income (Note 18)	1,712	3,733	35,137
Non-Operating Income:			
Interest income	79	72	677
Dividends income	237	265	2,492
Other	420	436	4,102
Non-Operating Expenses:			
Interest expenses	(58)	(68)	(638)
Compensation for damage	(245)	(139)	(1,309)
Foreign exchange gains (losses)	(516)	284	2,675
Other	(199)	(162)	(1,524)
Ordinary profit	1,430	4,421	41,612
Extraordinary Income			
Gain on sales of noncurrent assets	39	32	296
Gain on sales of investment securities	—	29	274
Extraordinary Expenses			
Loss on sales of noncurrent assets	(19)	(8)	(71)
Loss on retirement of noncurrent assets	(15)	(21)	(203)
Impairment loss (Note 9)	(553)	(129)	(1,214)
Provision for business structure improvement expenses	(58)	—	—
Retirement benefit expenses	—	(170)	(1,603)
Income before income taxes	824	4,154	39,091
Income Taxes (Note 10):			
Income taxes-current	121	941	8,854
Income taxes-deferred	45	138	1,296
Total income taxes	166	1,079	10,150
Profit	658	3,075	28,941
Profit attributable to non-controlling interests	0	—	—
Profit attributable to owners of parent	¥ 658	¥ 3,075	\$ 28,941
		Yen	U.S. dollars (Note 1)
Per Share (Note 17):			
Net income — primary	¥10.94	¥52.81	\$0.50
Cash dividends	40.00	40.00	0.38

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Komori Corporation and Consolidated Subsidiaries

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Income before minority interests	¥ 658	¥3,075	\$28,941
Other comprehensive income			
Valuation difference on available-for-sale securities	1,805	154	1,451
Foreign currency translation adjustment	(480)	(98)	(928)
Remeasurements of defined benefit plans, net of tax	977	266	2,501
Total other comprehensive income (Note 16)	2,302	322	3,024
Comprehensive income	¥2,960	¥3,397	\$31,965
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	2,961	3,397	31,965
Comprehensive income attributable to non-controlling interests	(1)	—	—

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Komori Corporation and Consolidated Subsidiaries

Millions of yen

	Number of shares issued (After deducting treasury stock)	Shareholders' equity					Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income	Non-controlling interests	
For the year ended March 31, 2017												
Balance at April 1, 2016	61,963,823	¥37,715	¥37,797	¥65,670	¥(4,957)	¥136,225	¥2,664	¥(381)	¥(2,632)	¥ (349)	¥14	¥135,890
Dividends from retained earnings (Note 17 (3))	—	—	—	(2,441)	—	(2,441)	—	—	—	—	—	(2,441)
Profit attributable to owners of parent	—	—	—	658	—	658	—	—	—	—	—	658
Purchase of treasury stock	(3,737,376)	—	—	—	(5,001)	(5,001)	—	—	—	—	—	(5,001)
Disposal of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—
Retirement of treasury shares	—	—	—	(4,902)	4,902	—	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	(8)	—	—	(8)	—	—	—	—	—	(8)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	1,806	(480)	977	2,302	(14)	2,288
Total changes of items during the period	(3,737,376)	—	(8)	(6,685)	(99)	(6,792)	1,806	(480)	977	2,302	(14)	(4,504)
Balance at March 31, 2017	58,226,447	¥37,715	¥37,789	¥58,985	¥(5,056)	¥129,433	¥4,470	¥(861)	¥(1,655)	¥1,953	¥—	¥131,386
For the year ended March 31, 2018												
Balance at April 1, 2017	58,226,447	¥37,715	¥37,789	¥58,985	¥(5,056)	¥129,433	¥4,470	¥(861)	¥(1,655)	¥1,953	¥—	¥131,386
Dividends from retained earnings (Note 17 (3))	—	—	—	(2,329)	—	(2,329)	—	—	—	—	—	(2,329)
Profit attributable to owners of parent	—	—	—	3,075	—	3,075	—	—	—	—	—	3,075
Purchase of treasury stock	—	—	—	—	(1)	(1)	—	—	—	—	—	(1)
Disposal of treasury shares	—	—	—	—	0	0	—	—	—	—	—	0
Net changes of items other than shareholders' equity	—	—	—	—	—	—	154	(98)	266	322	—	322
Total changes of items during the period	0	—	0	746	(1)	745	154	(98)	266	322	—	1,067
Balance at March 31, 2018	58,226,447	¥37,715	¥37,789	¥59,731	¥(5,057)	¥130,178	¥4,624	¥(959)	¥(1,389)	¥2,275	¥—	¥132,453

Note: "Number of shares issued" represents shares issued less treasury stock shares.

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income	Non-controlling interests	
For the year ended March 31, 2018											
Balance at April 1, 2017	\$354,996	\$355,691	\$555,207	\$(47,590)	\$1,218,304	\$42,071	\$(8,102)	\$(15,582)	\$18,387	\$—	\$1,236,691
Dividends from retained earnings (Note 17 (3))	—	—	(21,922)	—	(21,922)	—	—	—	—	—	(21,923)
Profit attributable to owners of parent	—	—	28,941	—	28,941	—	—	—	—	—	28,941
Purchase of treasury stock	—	—	—	(12)	(12)	—	—	—	—	—	(12)
Disposal of treasury shares	—	—	—	0	0	—	—	—	—	—	1
Net changes of items other than shareholders' equity	—	—	—	—	—	1,451	(928)	2,501	3,024	—	3,024
Total changes of items during the period	—	—	7,018	(11)	7,007	1,451	(928)	2,501	3,024	—	10,031
Balance at March 31, 2018	\$354,996	\$355,691	\$562,226	\$(47,602)	\$1,225,311	\$43,522	\$(9,030)	\$(13,081)	\$21,411	\$—	\$1,246,722

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Cash Flows

Komori Corporation and Consolidated Subsidiaries

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
<b>Net Cash Provided by (Used in) Operating Activities:</b>			
Income (loss) before income taxes	¥ 824	¥ 4,153	\$ 39,091
Depreciation and amortization	2,133	1,889	17,776
Impairment loss	553	129	1,214
Amortization of intangible assets	152	153	1,437
Increase (decrease) in allowance for doubtful accounts	75	(22)	(208)
Increase (decrease) in provision for bonuses	(19)	52	493
Increase (decrease) in net defined benefit liabilities	157	(47)	(441)
Interest and dividends income	(316)	(337)	(3,169)
Interest expenses	58	68	638
Foreign exchange losses (gains)	287	(195)	(1,836)
Decrease (increase) in notes and accounts receivable-trade	(4,633)	(6,174)	(58,113)
Decrease (increase) in inventories	11	4,159	39,146
Decrease (increase) in prepaid expenses	339	(332)	(3,122)
Increase (decrease) in notes and accounts payable-trade	(1,298)	1,342	12,631
Increase (decrease) in deposits received	(8)	502	4,728
Increase (decrease) in accrued consumption taxes	248	125	1,178
Other, net	436	262	2,466
<b>Subtotal</b>	<b>(1,001)</b>	<b>5,727</b>	<b>53,909</b>
Interest and dividends income received	319	337	3,175
Interest expenses paid	(58)	(68)	(638)
Income taxes (paid) refund	(53)	95	893
<b>Net cash provided by (used in) operating activities</b>	<b>(793)</b>	<b>6,091</b>	<b>57,339</b>
<b>Net Cash Provided by (Used in) Investing Activities:</b>			
Net decrease (increase) in short-term investment securities	2,985	1,835	17,274
Payments into time deposits	(54)	(2,932)	(27,599)
Proceeds from withdrawal of time deposits	2,139	2,913	27,423
Purchase of property, plant and equipment and intangible assets	(1,519)	(1,117)	(10,518)
Proceeds from sales of property, plant and equipment and intangible assets	52	169	1,590
Purchase of insurance funds	(603)	(188)	(1,767)
Proceeds from maturity of insurance funds	600	189	1,776
Purchase of investment securities	(145)	(613)	(5,770)
Proceeds from sales of investment securities	498	115	1,084
Purchase of long-term prepaid expenses	(0)	(1)	(11)
Other payments	(31)	(3)	(31)
Other proceeds	339	(71)	(668)
<b>Net cash provided by (used in) investing activities</b>	<b>4,261</b>	<b>296</b>	<b>2,783</b>
<b>Net Cash Provided by (Used in) Financing Activities:</b>			
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(23)	—	—
Net increase (decrease) in short-term loans payable	118	143	1,352
Repayments of long-term loans payable	(126)	—	—
Repayments of lease obligations	(198)	(154)	(1,450)
Purchase of treasury shares	(5,001)	(1)	(12)
Cash dividends paid	(2,440)	(2,329)	(21,923)
Proceeds from sales of treasury shares	—	0	1
<b>Net cash provided by (used in) financing activities</b>	<b>(7,670)</b>	<b>(2,341)</b>	<b>(22,032)</b>
Effect of exchange rate change on cash and cash equivalents	(285)	127	1,195
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,487)</b>	<b>4,173</b>	<b>39,285</b>
Cash and cash equivalents at beginning of period (Note 14)	59,140	54,653	514,427
<b>Increase in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash and cash equivalents at end of period (Note 14)</b>	<b>¥54,653</b>	<b>¥58,826</b>	<b>\$553,712</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

Komori Corporation and Consolidated Subsidiaries

## 1 BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Accounting Principles

The accompanying consolidated financial statements of Komori Corporation (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The figures shown in the consolidated financial statements have been rounded to the nearest million yen.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.24 = US\$1.00, which was the rate of exchange as of March 31, 2018, has been used for the translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rates.

### (2) Accounting Standards That Have Yet to Be Adopted

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, dated March 30, 2018)

- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, dated March 30, 2018)

### (a) Overview

The aforementioned standard and guidance provide a comprehensive accounting standard with regard to the recognition of revenues. Under this standard, revenues are recognized by the following five steps.

Step 1) Identify the contract with the customer.

Step 2) Identify the performance obligations contained in the contract.

Step 3) Calculate the transaction price.

Step 4) Allocate the transaction price to the identified performance obligations.

Step 5) Recognize revenue as the performance obligations are satisfied.

### (b) Scheduled date of the adoption of the standards

Adoption of the standard is scheduled from the beginning of the fiscal year ending March 31, 2022.

### (c) Effect of the adoption of the standard

The effect of adopting these standards on the Company's operating results is under evaluation at the time the consolidated financial statements are prepared.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Scope of Consolidation

The Company has 19 majority-owned subsidiaries as of March 31, 2018.

#### (a) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and 18 of its majority-owned subsidiaries. The major subsidiaries that are consolidated with the Company as of March 31, 2018 are listed below:

	Country of incorporation	Direct and indirect ownership percentage	Paid-in capital (millions)
Komori Machinery Co., Ltd.	(Japan)	100.0%	¥1,600
Komori Engineering Co., Ltd.	(Japan)	100.0	¥ 20
Seria Corporation Co., Ltd.	(Japan)	100.0	¥ 60
Seria Engineering Co., Ltd.	(Japan)	100.0	¥ 54
Komori America Corporation	(U.S.A.)	100.0	\$ 22.2
Komori Leasing Incorporated	(U.S.A.)	100.0	\$ 1.0
Komori International (Europe) B.V.	(Netherlands)	100.0	EUR 1.5
Komori France S.A.S.	(France)	100.0	EUR 1.8
Komori Italia S.r.l.	(Italy)	100.0	EUR 0.5
Komori U.K. Limited	(U.K.)	100.0	£ 6.2
Komori International Netherlands B.V.	(Netherlands)	100.0	EUR 1.0
Komori-Chambon S.A.S.	(France)	100.0	EUR 8.0
Komori Hong Kong Limited	(Hong Kong)	100.0	HK\$ 18.1
Komori Printing Machine (Shenzhen) Co., Ltd.	(China)	100.0	CNY 16.1
Komori Taiwan Limited	(Taiwan)	100.0	TW\$ 45.9
Komori Machinery (Nantong) Co., Ltd.	(China)	100.0	\$ 14.0
Komori Southeast Asia Pte. Ltd.	(Singapore)	100.0	SGD 20.0
Komori Malaysia Sdn. Bhd.	(Malaysia)	100.0	MYR 10.0

#### (b) Unconsolidated subsidiary

The unconsolidated subsidiary, Komori Realty Co., Ltd., is a small scale company and was excluded from the scope of consolidation as its total assets, net sales, profit attributable to owners of parent and retained earnings (corresponding to equity share) were immaterial in relation to the consolidated financial statements.

The Company accounts for the subsidiary as an investment at historical cost.

## **(2) Fiscal Year-End of Consolidated Subsidiaries**

The consolidated subsidiaries Komori Printing Machine (Shenzhen) Co., Ltd. and Komori Machinery (Nantong) Co., Ltd. prepare their annual accounts to December 31. For the purpose of preparing consolidated financial statements, statements are based upon a provisional settlement of accounts conducted at the consolidated year-end. The closing dates for earnings of all other consolidated subsidiaries align with that of the Company.

## **(3) Elimination and Combination for Consolidation**

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Company and its subsidiaries have been eliminated.

## **(4) Amortization Method and Period for Goodwill**

Goodwill is amortized on a straight-line basis over its estimated useful life.

## **(5) Inventories**

Merchandise, finished goods and work in process are stated at the lower of cost and net realizable value determined by using the specific identification method.

Raw materials and supplies are stated at the lower of cost and net realizable value determined by using the first-in, first-out method.

Inventories are, in principle, carried at cost on the balance sheets. However, in the case that the net selling value falls below cost at the end of the period, inventories are stated at the net realizable value on the balance sheets.

## **(6) Financial Instruments**

### **(a) Securities**

*Securities held by the Company and its subsidiaries are classified into two categories:*

Securities for which market quotations are available:

Stated at fair value, determined by the market price valuation method on the closing date of the period under review (the difference between the carrying amount and the market value is included in net assets, while the cost of securities sold is computed using the moving-average method). Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount.

Securities for which market quotations are unavailable:

Stated at cost, determined by the moving-average method.

Investments in certain unconsolidated subsidiaries are stated at cost.

For further details, see “(1) (b) Unconsolidated subsidiary”, above.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries or available-for-sale securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are recognized in the statements of income for the period.

### **(b) Derivatives**

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as “hedging instruments.”

## **(7) Methods for Depreciating and Amortizing Depreciable Assets**

### **(a) Property, plant and equipment (excluding lease assets)**

The Company and its consolidated subsidiaries recognize their depreciation expense mainly by using the straight-line method. The range of useful life is from 2 to 50 years for building and structures and from 2 to 17 years for machinery, equipment and vehicles.

### **(b) Intangible assets (excluding lease assets)**

*Software*

Straight-line method over an estimated in-house usable period of 5 years

*Other*

Straight-line method

### **(c) Lease assets**

Lease assets under finance leases other than those that are deemed to transfer ownership of the leased assets to lessees

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

## **(8) Foreign Currency Translation and Transactions**

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of overseas consolidated subsidiaries and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and all income and expense accounts are translated at the average foreign exchange rates for the respective periods. Foreign currency financial statement translation differences are included in the consolidated balance sheets under “Foreign currency translation adjustment” in net assets.

## **(9) Taxes**

Accrued income taxes are stated at the estimated amount payable for Corporation, Enterprise, and Inhabitant taxes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

## **(10) Accounting for Allowances and Provisions**

### **(a) Allowance for doubtful accounts**

An allowance for doubtful accounts receivable is provided by setting a percentage based on the Company’s average historical experience of bad debt loss against the balance of total receivables. In addition, the full amount deemed necessary to cover uncollectible receivables is provided when appropriate.

### **(b) Provision for bonuses**

In order to provide for the payment of bonuses to employees, the Company and its domestic consolidated subsidiaries record amounts related to the current fiscal year as a part of the estimated year-end payable amount.

### **(c) Provision for product warranties**

In order to provide for charge-free repair costs under warranty contract, a provision for product warranties is created based on an amount estimated by applying a ratio of the amount of charge-free repair costs actually incurred under the product warranties against total net sales. In addition, an amount to cover individual charge-free repair costs is provided for when appropriate.

### **(d) Provision for loss on guarantees**

A provision for loss on guarantees is maintained by the Company and a portion of its overseas consolidated subsidiaries to cover guarantees provided to lease companies and affiliated banks by the Company and the aforementioned subsidiaries for loans to customers who purchase the Company’s products. The amount of the provision is determined by applying the ratio of the actual loss on guarantees against the amount of total guarantees plus the amount deemed necessary to cover potential losses of individual loans.

### **(e) Provision for directors’ bonuses**

In order to provide for the payment of bonuses to directors, the Company and its domestic consolidated subsidiaries record amounts related to the current fiscal year as a part of the estimated year-end payable amount.

### **(f) Provision for directors’ retirement benefits**

A specified amount determined by internal regulations is recorded to prepare for the payment of retirement benefits to directors of a number of the Company’s domestic consolidated subsidiaries.

**(g) Provision for loss on litigation**

In order to prepare for the loss which is expected to accrue in accordance with litigation, the Company has earmarked estimated amount of losses.

**(11) Accounting Method for Retirement Benefits**

**(a) Method used to attribute estimated amounts of retirement benefits to periods**

In calculating retirement benefit obligations, the method of attributing expected benefit to the fiscal year is based on the benefit formula.

**(b) Accounting methods for actuarial differences**

Actuarial differences are charged as an expense commencing from the fiscal year following that when incurred using a straight-line method based on a determined number of years (principally 15 years) derived from the average expected remaining years of service of employees when the differences were incurred. The effect of the relevant changes has been recorded as Accumulated other comprehensive income (Remeasurements of defined benefit plans, net of tax). Prior service costs are collectively recognized at the end of the fiscal year in which they are incurred.

**(12) Revenue Recognition of Security Printing Machine Sales**

For security printing machine sales for which the stage of completion as at the end of the fiscal year can be determined with certainty, the Company records revenues using the percentage of completion method (the progress of work is measured using the percentage of cost method). For other security printing machine sales, the Company records revenues at the time of customer's acceptance.

**(13) Installment Sales**

The Company accounts for installment sales on the basis of the installment method prescribed by the Japanese tax laws. Under this method, gross profit from installment sales is recognized in proportion to the amount of installment payments which become due. The remaining portion of the gross profit, where the due date has not yet arrived, is deferred as "Deferred installment income".

**(14) Appropriation of Retained Earnings**

Under the Japanese Corporate Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (including year-end cash dividend payments) proposed by

the Board of Directors should be approved at the shareholders' meeting, which must be held within 3 months of each financial year-end. The appropriation of retained earnings reflected in the financial statements represents the results of such appropriations that are applicable to the immediately preceding financial year and approved at the shareholders' meeting, and paid during that year. Year-end cash dividends are paid to shareholders on the shareholders' register at the end of each financial year.

The Japanese Corporate Code provides that interim cash dividends may be distributed upon approval of the Board of Directors. The Company has paid such interim cash dividends to shareholders on record as of September 30 each year.

**(15) Net Income and Dividends per Share**

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share shown for each year in the statements of income represent dividends declared as applicable to the respective period.

**(16) Consumption Tax**

Consumption tax is imposed at the flat rate of 8% on domestic consumption of goods and services (with certain exemptions).

The consumption tax withheld upon sale is not included in the amount of "net sales" in the accompanying statements of income, but is recorded as a liability. The balances of "consumption tax withheld" (a liability item) and "consumption tax paid" (an asset item), which are borne by the Company on the purchase of goods and services are not included in the amounts of costs and expenses in the statements of income, but offset and the net balance included in "other current assets" or "other current liabilities" in the consolidated balance sheets.

**(17) Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, bank deposits able to be withdrawn on demand and short-term investment securities with an original maturity of 3 months or less, and which represent a minor risk of fluctuations in value.

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**3 FINANCIAL INSTRUMENTS**

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**(A) Summary of Financial Instruments' Status**

**(1) Action policy with regard to financial instruments**

With regard to the management of funds, it is the policy of the Company and its subsidiaries to invest temporary surpluses in highly secure financial assets, while debt from financial institutions and issuance of corporate bonds are used to procure funds. Derivatives are used to avoid the currency exchange risks associated with notes and accounts receivable. Speculative transactions are not conducted.

**(2) Details of financial instruments, respective risks and risk management structure**

Operating receivables, such as notes and accounts receivable—trade, are subject to customer credit risks. Moreover, because the Company engages in business globally, operating receivables denominated in foreign currencies are subject to the risk of fluctuating foreign exchange rates. To manage credit risks, management offices at each division of the Company and those at its subsidiaries monitor maturity dates and balances due, while the Sales Administration Department is responsible for controlling uncollected receivables. With regard to the risk associated with foreign exchange rate fluctuations, as a general rule the Company uses foreign exchange forward contracts.

Stocks that are investment securities are subject to the risk

associated with market price fluctuations. However, these are primarily company stocks held for business activities and are not intended for speculative transactions. In addition, the Finance Department regularly confirms fair value and the Board of Directors makes resolutions with regard to important purchases and sales.

Notes and accounts payable—trade, and Electronically recorded obligations—operating that are included in operating liabilities have a repayment date within one year.

Loans are mainly for the procurement of funds associated with the business activities of overseas consolidated subsidiaries. These are bank loans of limited amounts, the outstanding balances of which the Company regularly confirms.

Derivative transactions generally involve market and credit risk. Market risk infers the potential to incur a loss due to currency exchange and interest rate fluctuations. No significant market risk is identified based on the nature of transactions entered into being limited to hedging activities, and the insignificant value of such transactions. Credit risk infers the possibility of loss due to nonperformance by counterparties. It has been determined that only major financial institutions entail negligible risk as counterparties. Foreign exchange forward contracts and currency option trading are used to avoid exchange rate fluctuation risk associated with assets and liabilities denominated in foreign currencies. As a general rule, it is the Company's policy to use derivative transactions within the

scope of the aforementioned objectives and to not conduct speculative transactions.

Foreign exchange forward contracts are utilized in accordance with the Company's policy, which includes limits of the number of contracts that can be entered into. The foreign currency committee manages currency option trading. The execution and management of transactions is performed by the Finance Department, and results of transactions reported to the officer in charge.

### (3) Supplemental explanation of items with regard to fair value of financial instruments

Contract amounts included in“(B) Items with Regard to Fair Value of Financial Instruments,” are not indicative of the market risks associated with the derivative transactions.

### (B) Items with Regard to Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments, as well as the differences between these amounts are shown in the table below, with the exception of items for which it was not possible to ascertain fair value (refer to Note 2).

	Millions of yen		
	2017		
	Carrying amount*	Fair value*	Difference
(1) Cash and deposits	¥40,713	¥40,713	¥ —
(2) Notes and accounts receivable—trade	19,774	19,774	—
(3) Electronically recorded monetary claims—operating	2,027	2,027	—
(4) Short-term investment securities and investment securities	32,428	32,434	6
(5) Notes and accounts payable—trade	(11,623)	(11,623)	—
(6) Electronically recorded obligations—operating	(6,022)	(6,022)	—
(7) Short-term loans payable	(49)	(49)	—
(8) Income taxes payable	(239)	(239)	—
(9) Bonds payable	(10,000)	(10,071)	(71)
(10) Derivatives	30	30	—

	Millions of yen		
	2018		
	Carrying amount*	Fair value*	Difference
(1) Cash and deposits	¥43,141	¥43,141	¥ —
(2) Notes and accounts receivable—trade	23,904	23,904	—
(3) Electronically recorded monetary claims—operating	2,317	2,317	—
(4) Short-term investment securities and investment securities	32,833	32,838	5
(5) Notes and accounts payable—trade	(12,252)	(12,252)	—
(6) Electronically recorded obligations—operating	(6,604)	(6,604)	—
(7) Short-term loans payable	(198)	(198)	—
(8) Income taxes payable	(985)	(985)	—
(9) Current portion of bonds	(10,000)	(10,022)	(22)
(10) Derivatives	79	79	—

	Thousands of U.S. dollars		
	2018		
	Carrying amount*	Fair value*	Difference
(1) Cash and deposits	\$406,067	\$406,067	\$ —
(2) Notes and accounts receivable—trade	225,000	225,000	—
(3) Electronically recorded monetary claims—operating	21,811	21,811	—
(4) Short-term investment securities and investment securities	309,045	309,098	53
(5) Notes and accounts payable—trade	(115,319)	(115,319)	—
(6) Electronically recorded obligations—operating	(62,164)	(62,164)	—
(7) Short-term loans payable	(1,866)	(1,866)	—
(8) Income taxes payable	(9,268)	(9,268)	—
(9) Current portion of bonds	(94,127)	(94,334)	(207)
(10) Derivatives	745	745	—

\* Liabilities are shown in parentheses.

Note 1: The calculation method of financial instrument fair value together with securities and derivative transactions

(1) Cash and deposits

These are routinely settled in the short term at book value. As such, the book value is ordinarily equivalent to the fair value, and is used to approximate fair value.

(2) Notes and accounts receivable-trade, (3) Electronically recorded monetary claims - operating

These are routinely settled in the short term at book value. As such, the book value is ordinarily equivalent to the fair value. While there are items which it will take more than one year to collect, unless there is a significant deterioration in the creditworthiness of the counterparty, book value is used to approximate fair value.

(4) Short-term investment securities and investment securities

The fair values of short-term investment securities and investment securities are determined by the stock exchange price. The fair value of bonds is based on prices at listing exchanges or transaction disclosed by financial institutions. Please refer to “4 SHORT-TERM INVESTMENT SECURITIES AND INVESTMENT SECURITIES” regarding short-term investment securities and their respective objectives.

(5) Notes and accounts payable-trade, (6) Electronically recorded obligations-operating, (7) Short-term loans payable, and (8) Income tax payable  
These are routinely settled in the short term at book value. As such, the book value is ordinarily equivalent to the fair value, and therefore used to approximate fair value.

(9) Current portion of bonds

The fair value of bonds issued by the Company is based on the basis of reference bond trading statistics published by the Japan Securities Dealers Association.

(10) Derivatives

Please refer to "5 DERIVATIVE INFORMATION."

Note 2: Financial instruments for which it is not possible to ascertain fair value

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unlisted equity securities	¥325	¥558	\$5,255

No market price was available for these instruments, and it was not possible to estimate their future cash flows. Consequently, fair value is difficult to measure and such instruments are not included in "(3) Short-term investment securities and investment securities."

Note 3: Expected maturity schedule following the date of the consolidated financial accounts of monetary assets and investment securities

	Millions of yen			
	2017			
	Within 1 year	Within 5 years over 1 year	Within 10 years over 5 years	Over 10 years
Cash and deposits	¥40,713	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	21,791	301	—	—
Short-term investments				
Hold-to-maturity debt securities				
Joint management specified money trust	6,500	—	—	—
Corporate bonds	100	2,400	900	—
Investment security with maturity				
Certificate of deposit	11,197	—	—	—
Commercial papers	900	—	—	—
Total	¥81,201	¥2,701	¥900	¥ —

	Millions of yen			
	2018			
	Within 1 year	Within 5 years over 1 year	Within 10 years over 5 years	Over 10 years
Cash and deposits	¥43,141	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	25,495	1,047	57	—
Short-term investments				
Hold-to-maturity debt securities				
Joint management specified money trust	7,900	—	—	—
Corporate bonds	2,700	500	900	—
Transferable deposit	12,798	—	—	—
Commercial papers	2,413	—	—	—
Total	¥94,447	¥1,547	¥957	¥ —

	Thousands of U.S. dollars			
	2018			
	Within 1 year	Within 5 years over 1 year	Within 10 years over 5 years	Over 10 years
Cash and deposits	\$406,067	\$ —	\$ —	\$ —
Notes and accounts receivable-trade	239,972	9,858	537	—
Short-term investments				
Hold-to-maturity debt securities				
Joint management specified money trust	74,360	—	—	—
Corporate bonds	25,411	4,706	8,471	—
Transferable deposit	120,465	—	—	—
Commercial papers	22,721	—	—	—
Total	\$888,996	\$14,564	\$9,008	\$ —

Note 4: Expected repayment schedule following the date of the consolidated financial accounts for the settlement of long-term loans payable and other interest-bearing debt:

							Millions of yen
							2017
	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years	
Short-term loans payable	¥ 49	¥ —	¥—	¥—	¥—	¥—	
Bonds payable	—	10,000	—	—	—	—	
Lease obligations	151	95	57	17	4	2	
Total	¥200	¥10,095	¥57	¥17	¥ 4	¥ 2	

							Millions of yen
							2018
	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years	
Short-term loans payable	¥ 198	¥—	¥—	¥—	¥—	¥—	
Bonds payable	10,000	—	—	—	—	—	
Lease obligations	99	61	21	5	1	1	
Total	¥10,297	¥61	¥21	¥ 5	¥ 1	¥ 1	

							Thousands of U.S. dollars
							2018
	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years	
Short-term loans payable	\$ 1,866	\$ —	\$ —	\$—	\$—	\$—	
Bonds payable	94,127	—	—	—	—	—	
Lease obligations	931	570	196	50	13	7	
Total	\$96,924	\$570	\$196	\$50	\$ 3	\$ 7	

#### 4 SHORT-TERM INVESTMENT SECURITIES AND INVESTMENT SECURITIES

##### (1) Hold-to-maturity debt securities

Fair value, the acquisition cost, gross unrealized holding gains and gross unrealized holding losses for hold-to-maturity debt securities value by security type are as follows:

Year ended March 31, 2017

					Millions of yen
	Fair value	The acquisition cost	Gross unrealized gains	Gross unrealized losses	
Market value exceeding acquisition cost:					
Corporate bonds	¥2,508	¥2,500	¥8	¥—	
Market value equal to or less than acquisition cost:					
Corporate bonds	898	900	—	(2)	
Total	¥3,406	¥3,400	¥8	¥ (2)	

In addition to the hold-to-maturity debt securities presented in the table above, the Company held joint management specified money trusts totaling ¥6,500 million, transferable deposit totaling ¥11,197 million, and commercial papers totaling ¥900 million at March 31, 2017. Because joint management specified money trusts, transferable deposit, and commercial papers are settled within the short term and their market prices do not differ significantly from their book values, they are presented on a book-value basis.

Year ended March 31, 2018

					Millions of yen
	Fair value	The acquisition cost	Gross unrealized gains	Gross unrealized losses	
Market value exceeding acquisition cost:					
Corporate bonds	¥2,306	¥2,300	¥ 6	¥—	
Market value equal to or less than acquisition cost:					
Corporate bonds	1,799	1,800	—	(0)	
Total	¥4,105	¥4,100	¥ 6	¥ (0)	

	Thousands of U.S. dollars			
	Fair Value	The acquisition cost	Gross unrealized gains	Gross unrealized losses
Market value exceeding acquisition cost:				
Corporate bonds	\$21,710	\$21,649	\$61	\$—
Market value equal to or less than acquisition cost:				
Corporate bonds	16,937	16,939	—	(2)
Total	\$38,647	\$38,588	\$61	\$ (2)

In addition to the hold-to-maturity debt securities presented in the table above, the Company holds joint management specified money trusts totaling ¥7,900 million (\$74,360 thousand), transferable deposit totaling ¥12,798 million (\$120,465 thousand) and commercial papers totaling ¥2,413 million (\$22,721 thousand) at March 31, 2018. Because joint management specified money trusts, transferable deposit, and commercial papers are settled within the short term and their market prices do not differ significantly from their book values, they are presented on a book-value basis.

### (2) Available-for-sale securities with market value

Carrying amount, the acquisition cost, gross unrealized holding gains and gross unrealized holding losses for available-for-sale securities with market value by security type are as follows:

	Millions of yen			
	2017			
	Carrying amount	The acquisition cost	Gross unrealized gains	Gross unrealized losses
Market value exceeding acquisition cost:				
Equity securities	¥10,372	¥4,251	¥6,121	¥—
Market value equal to or less than acquisition cost:				
Equity securities	60	77	—	(17)
Total	¥10,432	¥4,328	¥6,121	¥(17)

	Millions of yen			
	2018			
	Carrying amount	The acquisition cost	Gross unrealized gains	Gross unrealized losses
Market value exceeding acquisition cost:				
Equity securities	¥10,487	¥4,026	¥6,461	¥—
Market value equal to or less than acquisition cost:				
Equity securities	249	299	—	(50)
Total	¥10,736	¥4,325	¥6,461	¥(50)

	Thousands of U.S. dollars			
	2018			
	Carrying amount	The acquisition cost	Gross unrealized gains	Gross unrealized losses
Market value exceeding acquisition cost:				
Equity securities	\$ 98,708	\$37,896	\$60,812	\$ —
Market value equal to or less than acquisition cost:				
Equity securities	2,344	2,809	—	(465)
Total	\$101,052	\$40,705	\$60,812	\$(465)

### (3) Available-for-sale securities sold during the period

Proceeds and gross realized gains and losses from the sale of available-for-sale securities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Available-for-sale securities sold during the period	¥0	¥66	\$618
Gain (Loss)	0	29	274

## 5 DERIVATIVE INFORMATION

### (A) Derivative Information for the Period Ended March 31, 2017

Derivative transactions to which hedge accounting is not applicable are as follows:

	Millions of yen			
	Contractual value or notional principal amount		Fair value	Valuation gain
	Total	Over 1 year		
Foreign exchange forward contracts (selling)	¥2,945	¥—	¥30	¥30
Total	¥2,945	¥—	¥30	¥30

Fair value was estimated based on quotations obtained from major financial institutions.

### (B) Derivative Information for the Period Ended March 31, 2018

Derivative transactions to which hedge accounting is not applied are as follows:

	Millions of yen			
	Contractual value or notional principal amount		Fair value	Valuation gain
	Total	Over 1 year		
Foreign exchange forward contracts (selling)	¥3,317	¥—	¥84	¥84
Foreign exchange forward contracts (buying)	250	—	(5)	(5)
Total	¥3,567	¥—	¥79	¥79

Fair value was estimated based on quotations obtained from major financial institutions.

Derivative transactions to which hedge accounting is applicable:

Not applicable.

## 6 SHORT-TERM LOANS PAYABLE, LONG-TERM LOANS PAYABLE, BOND PAYABLE AND LEASE OBLIGATIONS

### (1) Short-Term Loans Payable as of March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Short-term loans payable	¥49	¥198	\$1,866
Total	¥49	¥198	\$1,866

Average rate of short-term loans payable as of March 31, 2018: 0.68%

Average rate of current portion of long-term loans payable as of March 31, 2018:

Not applicable.

Average rates presented are weighted average for short-term loans payable and current portion of long-term loans payable.

### (2) Long-Term Loans Payable as of March 31, 2017 and 2018 consisted of the following:

Not applicable.

### (3) Bond Payable as of March 31, 2018 shown as follows:

Company Name	Issue	Date of issue	Balance at beginning of period	Balance at end of period Millions of yen (Thousands of U.S. dollars)	Yield	Security	Date of redemption
Komori Corporation	No.1 Unsecured Bond	December 13, 2013	¥10,000	¥10,000 (\$94,127)	0.549%	None	December 13, 2018
	Total	—	¥10,000	¥10,000 (\$94,127)	—	—	—

**(4) Bond payable as of March 31, 2018 and scheduled for repayment within a 5-year period shown as follows:**

	Within a year	Within 2 years over 1 year	Within 3 years Over 2 years	Within 4 years over 3 years	Within 5 years over 4 years
Millions of yen	¥10,000	¥—	¥—	¥—	¥—
Thousands of U.S. dollars	\$94,127	\$—	\$—	\$—	\$—

**(5) Lease Obligations as of March 31, 2017 and 2018 consisted of the following:**

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
The scheduled maturities of assumed future lease payments on such lease contracts;			
Due within 1 year	¥152	¥ 99	\$ 931
Due over 1 year	177	88	828
Total	¥329	¥187	\$1,759

The average rate for lease obligations is not presented in the table because the Company included the total gross lease amount in its consolidated balance sheets without deducting an amount equivalent to interest relating to these lease obligations.

**(6) Repayments of Long-Term Lease Obligations (excluding those that mature within 1 year) as of March 31, 2018 are scheduled within a 5-year period as follows:**

	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years
Millions of yen	¥61	¥21	¥5	¥1
Thousands of U.S. dollars	\$570	\$196	\$50	\$13

The maturity date of lease obligations over 1 year is April 2019 through March 2024.

**7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

The major elements of selling, general and administrative expenses for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Salaries and wages	¥5,180	¥5,337	\$50,236
Shipping expenses	4,015	3,871	36,437
Research and development expenses	4,885	4,785	45,039
Provision for product warranties	426	339	3,196
Provision for bonuses	228	241	2,265
Depreciation	495	454	4,270
Pension expenses	471	285	2,678
Provision of allowance for doubtful accounts	44	12	114
Provision for loss on guarantees	(61)	(55)	(520)

**8 RESEARCH AND DEVELOPMENT EXPENSES**

The research and development expenses incurred during the years ended March 31, 2017 and 2018 included in "Cost of Sales" and "Selling, General and Administrative Expenses" aggregated to ¥4,885 million and ¥4,785 million (\$45,039 thousand), respectively.

**9 IMPAIRMENT LOSSES**

**(A) Impairment Losses Information for the Period Ended March 31, 2017**

The Company and its subsidiaries recognized impairment losses for asset groups listed below.

Asset Group	Location	Type of assets	(Millions of Yen)
			Impairment loss
Operating property	Nantong, China	Buildings and structures, Machinery and Other	¥353
Idle assets	Noda, Chiba	Land and Buildings and structures	¥200

The Company and its consolidated subsidiaries group its active assets by business unit, while idle assets are grouped by asset type.

Komori Machinery (Nantong) Co., Ltd., a consolidated subsidiary, has written down the book values of active assets to their recoverable amounts, as a result of its business earnings no longer being expected to reach previously planned levels due to a deteriorating operating

environment in China. An amount of ¥353 million was classified as an impairment loss under extraordinary loss. This total comprised a write down in the book values of buildings of ¥284 million, while machinery and equipment was written down by ¥59 million, and other assets by ¥10 million. The recoverable amounts were estimated using net selling values. The net selling values of buildings, machinery and equipment were calculated mainly based on real estate appraisal values.

The book values of idle assets held by the Company have been written down to their recoverable amounts, resulting in a total write down of ¥200 million being classified as an impairment loss under extraordinary loss. Of this total, write downs in the book values of both land and buildings amounted to ¥138 million, and ¥62 million, respectively. The recoverable amounts were estimated using net selling values, which were calculated based on current market prices.

**(B) Impairment Losses Information for the Period Ended March 31, 2018**

The Company and its subsidiaries recognized impairment losses for asset groups listed below.

Asset Group	Location	Type of assets	(Millions of Yen / Thousands of \$)
			Impairment loss
Idle assets	Nasu, Tochigi	Land, Buildings and structures, and Other	¥129 / \$1,214

The Company and its consolidated subsidiaries group its active assets by business unit, while idle assets are grouped by asset type.

The book values of idle assets held by the Company have been written down to their recoverable amounts, resulting in a total write down of ¥129 million (\$1,214 thousand) being classified as an impairment loss under extraordinary loss. Of this total, write downs in the book values of land, buildings and structures, and other amounted to ¥24 million (\$226 thousand), ¥102 million (\$959 thousand), and ¥3 million (\$29 thousand), respectively. The recoverable amounts were estimated using net selling values, which were calculated based on current market prices.

**10 INCOME TAXES**

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income, which in aggregate result in the total effective statutory tax rate disclosed for the years ended March 31, 2017 and 2018. Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

**(1) Significant components of the Companies' deferred income tax assets and liabilities at March 31, 2017 and 2018 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Tax loss carried forward	¥2,249	¥1,267	\$11,927
Research and development expenses	2,627	2,908	27,370
Impairment loss	396	428	4,030
Loss on valuation of inventories	586	499	4,697
Provision for loss on guarantees	109	72	677
Provision for product warranties	177	194	1,822
Provision for bonuses	327	340	3,201
Provision of allowance for doubtful accounts	113	104	977
Net defined benefit liability	828	790	7,435
Intercompany profits	535	450	4,235
Others	894	849	8,002
Subtotal	8,841	7,901	74,373
Less—Valuation allowance	(1,680)	(1,050)	(9,889)
Total deferred tax assets	7,161	6,851	64,484
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(1,630)	(1,785)	(16,800)
Deferred earnings of fixed assets	(208)	(210)	(1,975)
Net defined benefit asset	(170)	(196)	(1,843)
Others	(47)	(40)	(376)
Total deferred tax liabilities	(2,055)	(2,231)	(20,994)
Net deferred tax assets	¥5,106	¥4,620	\$43,490

Note: The net deferred tax assets (liabilities) at March 31, 2017 and 2018 are included in the following line items on the consolidated balance sheets.

		Millions of yen		Thousands of U.S. dollars
		2017	2018	2018
Current assets	Deferred tax assets	¥4,796	¥4,636	\$43,641
Noncurrent assets	Deferred tax assets	1,544	1,342	12,632
Noncurrent liabilities	Deferred tax liabilities	(1,234)	(1,358)	(12,783)

**(2) Breakdown of principal items causing difference between effective statutory tax rate and the rate for corporate and other taxes applicable after tax benefit accounting is used**

	2017	2018
Effective statutory tax rate	30.69%	30.69%
(Adjustments)		
Changes in valuation allowance	(7.67)%	(15.24)%
Dividend and other non-taxable income	(13.33)%	(2.76)%
Tax credit primarily for research and development expenses	(5.53)%	(1.75)%
Entertainment and other expenses not deductible	2.10%	0.45%
Difference in tax rates applied to overseas consolidated subsidiaries	1.15%	(0.13)%
Unrealized gains unrecognized prior to tax effect accounting	16.06%	3.19%
Downward adjustment of deferred tax assets at fiscal year-end due to tax rate changes	—%	10.44%
Other	(3.31)%	1.08%
Effective income tax rate after the tax effect accounting	20.17%	25.96%

U.S. tax reform act, Tax Cuts and Job Act of 2017, was enacted on December 22, 2017 in the U.S. and it reduces the federal corporate income tax rate which is applied to the subsidiaries in the U.S. from 35% to 21% beginning January 1, 2018. The effect of this change was to decrease income tax assets by ¥433 million (\$4,069 thousands), and increase income taxes-deferred.

**11 RETIREMENT BENEFITS**

**(1) Outline of Retirement Benefit Plans Adopted**

To secure retirement benefits for their employees, the Company and its consolidated subsidiaries adopt defined benefit and defined contribution pension plans, both of which include funded and unfunded plans. In some cases, employees receive additional retirement benefits outside of the actuarial calculation of projected benefit obligations.

**(2) Defined Benefit Plans**

- Adjustments to the balance of Projected Benefit Obligations at the beginning and end of the Fiscal Year (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Beginning Projected benefit obligations balance	¥19,301	¥19,704	\$185,469
Service cost	744	755	7,102
Interest cost	153	143	1,349
Actuarial difference	901	(20)	(185)
Retirement benefit paid	(719)	(711)	(6,693)
Prior service cost	—	159	1,500
Other	(676)	375	3,525
Ending Projected benefit obligations balance	¥19,704	¥20,405	\$192,067

- Adjustments to the balance of Plan Assets at the beginning and end of the Fiscal Year (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Beginning plan assets balance	¥17,179	¥17,789	\$167,444
Expected return on plan assets	351	339	3,190
Actuarial difference	789	144	1,355
Employer's contribution	964	909	8,554
Retirement benefit paid	(703)	(689)	(6,489)
Other	(791)	398	3,748
Ending plan assets balance	¥17,789	¥18,890	\$177,802

3. Adjustments to the balance of Net Defined Benefit Liabilities at the beginning and end of the Fiscal Year (concerning plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Beginning net defined benefit liabilities balance	¥411	¥435	\$4,096
Pension expenses	73	78	734
Retirement benefit paid	(43)	(30)	(283)
Contribution to plans	(6)	(5)	(46)
Ending net defined benefit liabilities balance	¥435	¥478	\$4,501

4. Adjustments to the Year-End balances of Projected Benefit Obligations and Plan Assets and to Net Defined Benefit Liabilities/Assets on the Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Projected benefit obligations of funded plans	¥ 19,678	¥20,372	\$191,751
Plan assets	(17,824)	(18,929)	(178,172)
Subtotal	1,854	1,443	13,579
Projected benefit obligations of unfunded plans	496	551	5,192
Net liabilities/assets on the consolidated balance sheets	2,350	1,994	18,771
Net defined benefit liabilities	3,351	3,146	29,612
Net defined benefit assets	(1,001)	(1,152)	(10,841)
Net liabilities/assets on the consolidated balance sheets	¥ 2,350	¥ 1,994	\$ 18,771

Note: Figures include plans using the simplified method.

5. Breakdown of Pension Expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥ 744	¥ 755	\$7,102
Interest cost	153	143	1,349
Expected return on plan assets	(351)	(339)	(3,190)
Actuarial difference reflected in expenses	450	236	2,218
Past service costs amortization	—	159	1,500
Pension expenses calculated using the simplified method	73	78	734
Other	(13)	(14)	(130)
Pension expenses concerning defined benefit plans	¥1,056	¥1,018	\$9,583

6. Remeasurements of Defined Benefit Plans (Consolidated comprehensive income)  
Breakdown of re-measurements of defined benefit plans (before tax deductions)

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial difference	¥450	¥329	\$3,099
Total	¥450	¥329	\$3,099

7. Remeasurements of Defined Benefit Plans (Consolidated balance sheet)  
Breakdown of re-measurements of defined benefit plans (before tax deductions)

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial difference	¥(2,540)	¥(2,211)	\$(20,809)
Total	¥(2,540)	¥(2,211)	\$(20,809)

8. Matters Concerning Plan Assets

(a) Principal Components of Plan Assets

Proportions of principal components of plan assets by category

	2017	2018
Bonds	41%	41%
Stocks	16%	17%
Cash and deposits	4%	0%
General accounts	31%	31%
Other	8%	11%
Total	100%	100%

(b) Methods to Determine the Expected Long-Term Rate of Return on Plan Assets

In determining the expected long-term rate of return on its plan assets, the Company takes into consideration the distributions of its current and future pension asset portfolio as well as the rates of the short- to long- term returns expected from the various components of its pension assets.

9. Matters Concerning Actuarial Assumptions Used in the Calculation

Primary factors representing actuarial assumptions for the years ended March 2017 and 2018 (weighted-average method)

	2017	2018
Discount rate	0.7%	0.7%
Long-term expected rate of return	1.9%	1.8%

**(3) Defined Contribution Plans**

Contributions made by the Company and its consolidated subsidiaries to defined contribution plans totaled ¥162 million at March 31, 2017, and ¥145 million (\$1,361 thousand) at March 31, 2018.

**12 CONTINGENT LIABILITIES**

The Company and its subsidiaries were contingently liable for guarantees on March 31, 2017 and 2018 as follows:

Loans and lease obligations of customers who purchased the Company's products

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Hakusan Printing Co, Ltd. and other Japanese customers (52 and 38 in 2017 and 2018, respectively)	¥1,455	¥1,347	\$12,676
V-TAB Vimmerby AB and other foreign customers (26 and 20 in 2017 and 2018, respectively)	848	641	6,038
Total	¥2, 303	¥1,988	\$18,714

Contingent liabilities for guarantees in foreign currencies included in the above total amounts are as follows:

	Thousands of foreign currency (Equivalent amount in millions of yen)		Thousands of U.S. dollars
	2017	2018	2018
U.S. dollars	USD 3,063	USD 1,859	\$1,859
	¥(344)	¥(198)	
Euro	EUR 4,118	EUR 3,314	4,071
	¥(493)	¥(433)	

**13 NOTES MATURING ON THE FINAL DAY OF THE CONSOLIDATED ACCOUNTING PERIOD**

The settlement of notes receivable and payable maturing on the final day of the consolidation accounting period is accounted for on the actual clearing date. For the year ended March 31, 2018, the final day of the consolidation accounting period was a holiday for financial institution. The following notes that matured on the final day of the consolidation accounting period are included in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Notes receivable	¥—	¥170	\$1,559
Electronically recorded monetary claims—operating	—	49	457
Notes payable	—	79	740
Electronically recorded obligations—operating	—	654	6,152

**14 CASH AND CASH EQUIVALENTS**

Total cash and cash equivalents at year-end as included on the balance sheets for the years ended March 31, 2017 and 2018 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits	¥40,713	¥43,141	\$406,067
Time deposits with deposit term of over 3 months	(910)	(928)	(8,736)
Securities account (transferable deposit within 3 months)	10,350	9,514	89,551
Securities account (joint management specified money trust within 3 months)	4,500	7,100	66,830
Cash and cash equivalents	¥54,653	¥58,826	\$553,712

## 15 LEASE TRANSACTIONS

The Company and its subsidiaries have various lease agreements whereby they act both as lessees and lessors. Finance lease contracts other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

### (1) Finance Lease Transactions

Non-Ownership-Transfer Finance Lease Transactions during the years ended March 31, 2017 and 2018 are as follows:

#### (a) Description of lease assets

Property, plant and equipment: Mainly computers (included in "tools, furniture and fixtures")  
Intangible assets: Software

#### (b) Depreciation of lease assets

Lease assets are depreciated using the straight-line method over their individual lease terms with no residual value.

### (2) Operating Lease Transactions

Information on Operating Lease Transactions is as follows:

Total of future lease payment to be paid:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within 1 year	¥ 53	¥ 68	\$ 641
Due over 1 year	85	94	885
Total	¥138	¥162	\$1,526

## 16 ITEMS WITH REGARD TO OTHER COMPREHENSIVE INCOME

For the years ended March 31, 2017 and 2018

Recycle amount and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Valuation difference on available-for-sale securities:			
Amount arising during the period	¥2,507	¥309	\$2,909
Recycle amount	(0)	—	—
Before tax effect adjustment	2,507	309	2,909
Tax effect	(702)	(155)	(1,458)
After tax effect adjustment	1,805	154	1,451
Foreign currency translation adjustment:			
Amount arising during the period	(480)	(98)	(928)
Recycle amount	—	—	—
Before tax effect adjustment	(480)	(98)	(928)
Tax effect	—	—	—
After tax effect adjustment	(480)	(98)	(928)
Remeasurements of defined benefit plans:			
Amount arising during the period	66	(12)	(118)
Recycle amount	384	342	3,217
Before tax effect adjustment	450	329	3,099
Tax effect	527	(63)	(598)
After tax effect adjustment	977	266	2,501
Total other comprehensive income	¥2,302	¥322	\$3,024

**17 PER SHARE INFORMATION**
**(1) Net Income per Share**

The bases for calculating net income per share for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net income per share			
Profit attributable to owners of parent	¥ 658	¥ 3,075	\$28,941
Less: Components not pertaining to common stock shareholders	—	—	—
Profit attributable to owners of parent pertaining to common stock	658	3,075	28,941
Average number of shares outstanding (in thousands)	60,137	58,226	58,226
		Yen	U.S. dollars
Basic net income per share	¥10.94	¥52.81	\$0.50

**(2) Net Assets per Share**

The bases for calculating net assets per share for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net assets per share	¥2,256.47	¥2,274.80	\$21.41
		Yen	U.S. dollars
Net assets on consolidated balance sheets	¥131,386	¥132,453	\$1,246,722
Amount deducted from net assets	—	—	—
Non controlling interest included above	(—)	(—)	(—)
Net assets pertaining to common stock	131,386	132,453	1,246,722
		Thousands of shares	
Number of shares of common stock issued as of March 31	62,292	62,292	
Number of treasury shares of common stock as of March 31	4,065	4,067	
Number of shares of common stock for this calculation	58,226	58,225	

**(3) Dividends per Share for the Period Ended March 31, 2017**

(i) Dividends paid to shareholders' effective date

Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (Jun. 21, 2016)	Common stock	¥1,239	\$11,046	¥20	\$0.18	Mar. 31, 2016	Jun. 22, 2016
Board of directors' meeting (Oct. 31, 2016)	Common stock	¥1,201	\$10,704	¥20	\$0.18	Sep. 30, 2016	Nov. 30, 2016

(ii) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution approved by	Type of shares	Paid from	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (Jun. 20, 2017)	Common stock	Retained earnings	¥1,165	\$10,380	¥20	\$0.18	Mar. 31, 2017	Jun. 21, 2017

**(4) Dividends per Share for the Period Ended March 31, 2018**

(iii) Dividends paid to shareholders' effective date

Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (Jun. 20, 2017)	Common stock	¥1,165	\$10,961	¥20	\$0.19	Mar. 31, 2017	Jun. 21, 2017
Board of directors' meeting (Oct. 30, 2017)	Common stock	¥1,165	\$10,961	¥20	\$0.19	Sep. 30, 2017	Nov. 30, 2017

(iv) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution approved by	Type of shares	Paid from	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (Jun. 20, 2018)	Common stock	Retained earnings	¥1,165	\$10,961	¥20	\$0.19	Mar. 31, 2018	Jun. 21, 2018

**(1) Overview of Reportable Segments**

Komori's reportable segments are constituent units of the Company whose separate financial information is obtainable. The Company's Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and assessing the operating results.

The Komori Group is primarily engaged in a single business activity, namely, the manufacture, sale and repair of printing presses. Komori has established a structure to manufacture all of its products, except certain products, in Japan. Meanwhile, the Company has developed a global sales and marketing structure underpinned by subsidiaries based in important overseas markets. These overseas consolidated subsidiaries are independently promoting business activities through the formulation and implementation of their own comprehensive, region-specific sales and marketing strategies.

Accordingly, the Komori Group has the three reportable segments of "Japan", "North America" and "Europe" which have been defined in line with the locations of these overseas consolidated subsidiaries constituting its global sales and marketing structure.

The composition of individual reportable segments is as follows.

The reportable segment "Japan" includes sales recorded in Japan, Central and South America and Asia, excluding a portion of Greater China. Also, all the security press sales is reported in this segment. The Company and Seria Corporation are in charge of sales and marketing in this segment.

The reportable segment "North America" mainly includes sales recorded in the United States. Komori America Corporation is in charge of sales and marketing in this segment.

The reportable segment "Europe" mainly includes sales recorded in Western Europe, Eastern Europe and the Middle East. Komori International (Europe) B.V. is in charge of sales and marketing in this segment. Komori-Chambon S.A.S., which undertakes the manufacture and sale of package printing presses, is also included in this segment.

**(2) Accounting Method Concerning Net Sales, Operating Income (Loss), Assets and Other Items by Reportable Segment**

The accounting method for the reportable segments is basically the same as those described in "2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." Intersegment income and transfers are based on the prevailing markets prices.

**(3) Information Concerning Net Sales, Operating Income (Loss), Assets, Liabilities and Other Items by Reportable Segment**

Millions of yen

Year ended March 31, 2017	Reportable Segment				Others (Note)	Total
	Japan	North America	Europe	Subtotal		
Net sales						
Sales to external customers	¥ 55,510	¥10,124	¥16,821	¥ 82,455	¥4,164	¥ 86,619
Intersegment sales	¥ 16,197	¥ 62	¥ 830	¥ 17,089	¥ 902	¥ 17,991
Total	¥ 71,707	¥10,186	¥17,651	¥ 99,544	¥5,066	¥104,610
Operating income (loss)	¥ 437	¥ 76	¥ 672	¥ 1,185	¥ (158)	¥ 1,027
Assets	¥156,951	¥ 8,875	¥12,064	¥177,890	¥3,387	¥181,277
Other items						
Depreciation	¥ 1,770	¥ 23	¥ 257	¥ 2,050	¥ 83	¥ 2,133
Impairment loss	¥ 200	—	—	¥ 200	¥ 353	¥ 553
Amortization of goodwill	¥ 152	—	—	¥ 152	—	¥ 152
Increase of property, plant and equipment and intangible assets	¥ 1,270	¥ 23	¥ 341	¥ 1,634	¥ 135	¥ 1,769

Note: Others includes amounts and balance from the Company's business activities conducted outside its defined reportable segments, and relate to sales subsidiaries in Hong Kong, Taiwan, Singapore and Malaysia and a production subsidiary in China.

Millions of yen

Year ended March 31, 2018	Reportable Segment				Others (Note)	Total
	Japan	North America	Europe	Subtotal		
Net sales						
Sales to external customers	¥ 64,438	¥8,859	¥16,019	¥ 89,316	¥4,853	¥ 94,169
Intersegment sales	¥ 14,435	¥ 21	¥ 564	¥ 15,020	¥1,413	¥ 16,433
Total	¥ 78,873	¥8,880	¥16,583	¥104,336	¥6,266	¥110,602
Operating income (loss)	¥ 2,962	¥ (212)	¥ 521	¥ 3,271	¥ 183	¥ 3,454
Assets	¥160,285	¥6,666	¥12,313	¥179,264	¥3,275	¥182,539
Other items						
Depreciation	¥ 1,656	¥ 22	¥ 149	¥ 1,827	¥ 62	¥ 1,889
Impairment loss	¥ 129	—	—	¥ 129	—	¥129
Amortization of goodwill	¥ 153	—	—	¥ 153	—	¥153
Increase of property, plant and equipment and intangible assets	¥ 1,099	¥ 57	¥ 125	¥ 1,281	¥ 17	¥ 1,298

Thousands of  
U.S. dollars

Year ended March 31, 2018	Reportable Segment					Total
	Japan	North America	Europe	Subtotal	Others (Note)	
Net sales						
Sales to external customers	\$ 606,534	\$83,386	\$150,782	\$ 840,702	\$45,676	\$ 886,378
Intersegment sales	\$ 135,875	\$ 195	\$ 5,309	\$ 141,379	\$13,301	\$ 154,680
Total	\$ 742,409	\$83,581	\$156,091	\$ 982,081	\$58,977	\$1,041,058
Operating income (loss)	\$ 27,888	\$ (2,000)	\$ 4,903	\$ 30,791	\$ 1,720	\$ 32,511
Assets	\$1,508,711	\$62,741	\$115,894	\$1,687,346	\$30,828	\$1,718,174
Other items						
Depreciation	\$ 15,587	\$ 208	\$ 1,402	\$ 17,197	\$ 580	\$ 17,776
Impairment loss	\$ 1,214	—	—	\$ 1,214	—	\$ 1,214
Amortization of goodwill	\$ 1,437	—	—	\$ 1,437	—	\$ 1,437
Increase of property, plant and equipment and intangible assets	\$ 10,341	\$ 540	\$ 1,177	\$ 12,058	\$ 159	\$ 12,217

Note: "Others" includes amounts and balances from the Company's business activities conducted outside its defined reportable segments, and relate to sales subsidiaries in Hong Kong, Taiwan, Singapore and Malaysia and a production subsidiary in China.

#### (4) Adjustments for Differences between Total Amounts in Reportable Segments and Corresponding Amounts as presented in the Consolidated Financial Statements

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net Sales			
Total net sales in reportable segments	¥99,544	¥104,336	\$982,081
Net sales in others	5,066	6,266	58,977
Eliminations	(17,991)	(16,433)	(154,680)
Net sales as presented in the Consolidated Financial Statements	¥86,619	¥ 94,169	\$886,378

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Operating Income			
Total operating income in reportable segments	¥1,185	¥3,271	\$30,791
Operating income (loss) in others	(158)	183	1,720
Adjustments for inventories	588	179	1,685
Eliminations	97	100	943
Other adjustments	0	(0)	(2)
Operating income as presented in the Consolidated Financial Statements	¥1,712	¥3,733	\$35,137

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Assets			
Total assets in reportable segments	¥177,890	¥179,264	\$1,687,346
Assets in others	3,387	3,275	30,828
Adjustments for inventories	(1,267)	(1,089)	(10,247)
Eliminations	(34,526)	(32,855)	(309,258)
Corporate assets	34,046	33,499	315,318
Other adjustments	570	383	3,609
Assets as presented in the Consolidated Financial Statements	¥180,100	¥182,477	\$1,715,596

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Depreciation			
Total depreciation in reportable segments	¥2,050	¥1,827	\$17,197
Depreciation in others	83	62	580
Adjustments for depreciation	(0)	(0)	(1)
Depreciation as presented in the Consolidated Financial Statements	¥2,133	¥1,889	\$17,776

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Increase of property, plant, and equipment, and intangible assets			
Total amount of increase in reportable segments	¥1,634	¥1,281	\$12,058
Amount of increase in others	135	17	159
Adjustments for amount of increase	—	—	—
Amount of increase as presented in the Consolidated Financial Statements	¥1,769	¥1,298	\$12,217

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Impairment loss			
Total impairment loss in reportable segments	¥200	¥129	\$1,214
Impairment loss in others	353	—	—
Adjustments for impairment loss	—	—	—
Impairment loss as presented in the Consolidated Financial Statements	¥553	¥129	\$1,214

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Amortization of goodwill			
Total amortization of goodwill in reportable segments	¥152	¥153	\$1,437
Amortization of goodwill in others	—	—	—
Adjustments for amortization of goodwill	—	—	—
Amortization of goodwill as presented in the Consolidated Financial Statements	¥152	¥153	\$1,437

#### Related Information for the year ended March 31, 2017 and 2018

##### (1) Information by Product/Service

Sales to external customers

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Manufacture and Sale of Printing Presses	¥69,028	¥72,118	\$678,816
Service and Repair, Used Presses	¥17,591	¥22,051	\$207,562
Total	¥86,619	¥94,169	\$886,378

##### (2) Information by Region

1. Net Sales

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Japan	¥34,383	¥38,594	\$363,275
The Americas	11,053	9,731	91,593
Europe	20,401	20,286	190,944
Asia	17,066	23,073	217,180
Other Regions	3,716	2,485	23,386
Total	¥86,619	¥94,169	\$886,378

Note: Sales are classified by countries or regions where customers are located.

2. Property, Plant and Equipment

Information has been omitted, as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment presented in the Consolidated Balance Sheets.

### (3) Other information

#### Information Concerning Principal Customer

Information of principal customer has been omitted as no customer exceeds 10% of the total sales amount for the year.

#### Information Concerning Impairment Loss on Fixed Assets by Reportable Segment

Information on impairment loss has been omitted, as similar information is disclosed in Segment Information.

#### Information Concerning Amortization and Unamortized Balance of Goodwill by Reportable Segment

Year ended March 31, 2017

Goodwill	Reportable segment				Others	Total
	Japan	North America	Europe	Subtotal		
Millions of yen	¥658	—	—	¥658	—	¥658

Note: Information on amortization of goodwill has been omitted because similar information is disclosed in Segment Information.

Year ended March 31, 2018

Goodwill	Reportable segment				Others	Total
	Japan	North America	Europe	Subtotal		
Millions of yen	¥506	—	—	¥506	—	¥506
Thousands of U.S. dollars	\$4,767	—	—	\$4,767	—	\$4,767

Note: Information on amortization of goodwill has been omitted because similar information is disclosed in Segment Information.

#### Information Concerning Gain on Negative Goodwill by Reportable Segment

Not applicable.

#### Related-Party Transactions

Disclosure of related party transactions has been omitted, as there were no significant transactions with related parties.

## 19 SUBSEQUENT EVENTS

Not applicable.

## 20 OTHER

Net sales and income result of fiscal year ended March 31, 2018 for each period is as follows:

	Three months ended (from April 1, 2017 to June 30, 2017)	Six months ended (from April 1, 2017 to September 30, 2017)	Nine months ended (from April 1, 2017 to December 31, 2017)	Year ended March 31, 2018
Net sales (millions of yen)	¥16,115	¥42,773	¥63,870	¥94,169
Income (loss) before income taxes (millions of yen)	¥ (608)	¥ 1,122	¥ 2,252	¥ 4,154
Profit (loss) attributable to owners of parent (millions of yen)	¥ (497)	¥ 1,102	¥ 1,634	¥ 3,075
Net income (loss) per share (Yen)	¥ (8.54)	¥ 18.93	¥ 28.06	¥ 52.81

	Three months ended (from April 1, 2017 to June 30, 2017)	Six months ended (from April 1, 2017 to September 30, 2017)	Nine months ended (from April 1, 2017 to December 31, 2017)	Year ended March 31, 2018
Net sales (thousands of U.S. dollars)	\$151,684	\$402,607	\$601,187	\$886,378
Income (loss) before income taxes (thousands of U.S. dollars)	\$ (5,726)	\$ 10,558	\$ 21,193	\$ 39,091
Profit (loss) attributable to owners of parent (thousands of U.S. dollars)	\$ (4,682)	\$ 10,376	\$ 15,376	\$ 28,941
Net income (loss) per share (U.S. dollars)	\$ (0.08)	\$ 0.18	\$ 0.26	\$ 0.50

Quarterly net income per share information

	1st quarter (from April 1, 2017 to June 30, 2017)	2nd quarter (from July 1, 2017 to September 30, 2017)	3rd quarter (from October 1, 2017 to December 31, 2017)	4th quarter (from January 1, 2018 to March 31, 2018)
Net income (loss) per share (Yen)	¥(8.54)	¥27.48	¥9.12	¥24.75
Net income (loss) per share (U.S. dollars)	\$(0.08)	\$0.26	\$0.09	\$0.23



## Independent Auditor's Report

To the Board of Directors of  
Komori Corporation

We have audited the accompanying consolidated financial statements of Komori Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers Aarata LLC*  
*Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan*  
*T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance*



To the Board of Directors of  
Komori Corporation  
Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*PricewaterhouseCoopers Aarata LLC*

June 28, 2018

## Branch Offices and Plants, Subsidiaries

### ■ BRANCH OFFICES AND PLANTS

Company Name	Address	Business Activities
Techno Service Center	Sumida-ku, Tokyo, Japan	Repair and fabrication of printing presses and related equipment, and sale of printing press components
West-Japan Service	Osaka City, Osaka, Japan	Repair and fabrication of printing presses and related equipment, and sale of printing press components
Komori Global Parts Center	Noda City, Chiba Pref., Japan	Management of printing press and related equipment components
Osaka Regional Headquarters	Osaka City, Osaka, Japan	Sale, repair and fabrication of printing presses, related equipment and components
Nagoya Branch Office	Nagoya City, Aichi Pref., Japan	Sale, repair and fabrication of printing presses, related equipment and components
Kyushu Branch Office	Fukuoka City, Fukuoka Pref., Japan	Sale, repair and fabrication of printing presses, related equipment and components
Hokkaido Office	Sapporo City, Hokkaido, Japan	Sale, repair and fabrication of printing presses, related equipment and components
Tohoku Office	Sendai City, Miyagi Pref., Japan	Sale, repair and fabrication of printing presses, related equipment and components
Hokuriku Office	Toyama City, Toyama Pref., Japan	Sale, repair and fabrication of printing presses, related equipment and components
Chugoku Office	Hiroshima City, Hiroshima Pref., Japan	Sale, repair and fabrication of printing presses, related equipment and components
Shikoku Office	Takamatsu City, Kagawa Pref., Japan	Sale, repair and fabrication of printing presses, related equipment and components
Shizuoka Office	Shizuoka City, Shizuoka Pref., Japan	Sale, repair and fabrication of printing presses, related equipment and components
Tsukuba Plant	Tsukuba City, Ibaraki Pref., Japan	Design, development and manufacture of printing presses
Komori Graphic Technology Center	Tsukuba City, Ibaraki Pref., Japan	Technical and printing training, printing technology research, and printing equipment sales activities
Komori Currency Technology	Dorking, Surrey, UK	Sale of platemaking equipment, printing presses and related equipment used in the production of banknotes and securities documentation

### ■ SUBSIDIARIES

Company Name	Address	Business Activities
Komori Machinery Co., Ltd.	Higashiokitama-gun, Yamagata Pref., Japan	Manufacture and sale of printing presses, equipment and components
Komori Realty Co., Ltd.	Sumida-ku, Tokyo, Japan	Real estate leasing and management
Komori Engineering Co., Ltd.	Ushiku City, Ibaraki Pref., Japan	Design of printing presses and related equipment
SERIA CORPORATION	Kita-ku, Tokyo, Japan	Manufacture and sale of printing presses, equipment and components
SERIA ENGINEERING,INC	Gujo City, Gifu Pref., Japan	Manufacture and sale of printing presses, equipment and components
Komori America Corporation	Rolling Meadows, Illinois, U.S.A.	Import, sale, repair and fabrication of printing presses and related equipment
Komori Leasing Incorporated	Rolling Meadows, Illinois, U.S.A.	Provision of customer finance for printing presses and related equipment
Komori International (Europe) B.V.	Utrecht, The Netherlands	Import, sale, repair and fabrication of printing presses and related equipment; regional control of related activities
Komori International Netherlands B.V.	Utrecht, The Netherlands	Import, sale, repair and fabrication of printing presses and related equipment
Komori U.K. Limited	Leeds, UK	Import, sale, repair and fabrication of printing presses and related equipment
Komori France S.A.S.	Antony Cedex, France	Import, sale, repair and fabrication of printing presses and related equipment
Komori Belgium Branch Office of Komori France	Brussels, Belgium	Import, sale, repair and fabrication of printing presses and related equipment
Komori Italia S.r.l.	Assago, Milan, Italy	Import, sale, repair and fabrication of printing presses and related equipment
Komori-Chambon S.A.S.	Orleans Cedex, France	Manufacture, sale, repair and fabrication of packaging printing presses
Komori Southeast Asia Pte. Ltd.	Singapore	Import, sale, repair and fabrication of printing presses and related equipment
Komori Malaysia Sdn. Bhd.	Malaysia	Import, sale, repair and fabrication of printing presses and related equipment
Komori India Private Limited	New Delhi, India	Import, sale, repair and fabrication of printing presses and related equipment
Komori Hong Kong Limited	Hong Kong	Import, sale, repair and fabrication of printing presses and related equipment
Komori Printing Machine (Shenzhen) Co., Ltd.	Shenzhen, P.R.C.	Import, sale, repair and fabrication of printing presses and related equipment
Komori Printing Machine (Shenzhen) Co., Ltd. Shanghai branch	Shanghai, P.R.C.	Import, sale, repair and fabrication of printing presses and related equipment
Komori Machinery (Nantong) Co., Ltd.	Nantong, P.R.C.	Manufacture and sale of printing presses, related equipment and components
Komori Taiwan Limited	Taipei, Taiwan	Import, sale, repair and fabrication of printing presses and related equipment

# Corporate Data and Investor Information

(As of March 31, 2018)

## ■ CORPORATE DATA

Company Established:  
October 1923

Capital:  
¥37,715 million

Annual Sales (Consolidated basis):  
¥94,169 million

Employees (Consolidated basis):  
2,227

Headquarters:  
11-1 Azumabashi 3-chome,  
Sumida-ku, Tokyo 130-8666,  
Japan  
Tel: +81-3-5608-7811  
Fax: +81-3-3624-7160

## ■ INVESTOR INFORMATION

Listing:  
Tokyo Stock Exchange, First Section

Authorized Number of Shares:  
295,500,000

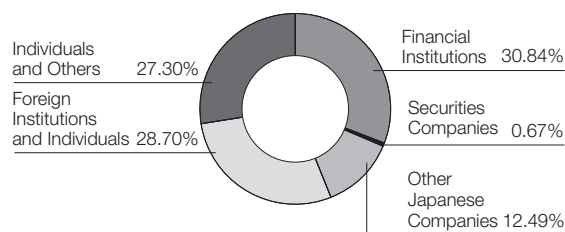
Issued Number of Shares:  
62,292,340

Minimum Trading Unit:  
100 shares

Number of Shareholders:  
4,388

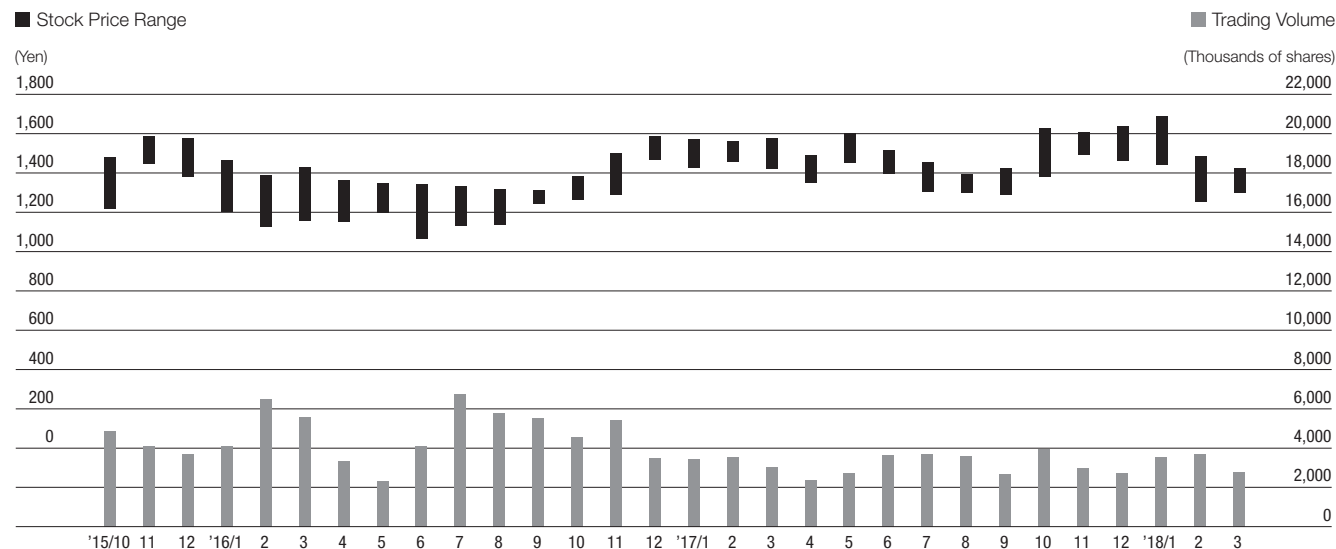
Stock Transfer Agent:  
Mizuho Trust and Banking Co., Ltd.  
Stock Transfer Agency Department

## ■ COMPOSITION OF SHAREHOLDERS



Note: The Company's holdings of treasury stock (4,067 thousand shares) are not included in the above figures.

## ■ STOCK PRICE RANGE AND TRADING VOLUME



# KOMORI

**KOMORI CORPORATION**

11-1 Azumabashi 3-chome, Sumida-ku, Tokyo 130-8666, Japan

Tel: +81-3-5608-7811

<http://www.komori.com>



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