

# **Results of Operations for the Nine Months Ended December 31, 2005** **REPORTED BY KOMORI CORPORATION**

Komori Corporation

January 30, 2006

Company name: KOMORI CORPORATION  
 Contact: Mr. Yasumichi Sato  
 Director, General Manager of Administration  
 Phone: (81)-3-5608-7826  
 URL <http://www.komori.com>

## 1. Note to consolidated financial statements for the Nine Months Ended December 31, 2005

- (1) Adoption of simplified accounting method: Yes  
Physical inventory is curtailed.
- (2) Change in accounting policies from the latest consolidated fiscal year: None
- (3) Change in scope of consolidation and equity method: None

### **Consolidated Financial Highlights**

#### (1) Results of operations

(In millions of yen)

	Nine months ended Dec. 31, 2005	% *	Nine months ended Dec. 31, 2004	% *	Year ended Mar. 31, 2005
Net sales	88,342	15.0	76,788	14.1	111,822
Operating income	6,570	28.4	5,116	65.5	9,049
Ordinary income	9,027	53.3	5,887	143.3	9,783
Net income	5,236	45.7	3,593	90.0	6,282

(yen)

Net income per share	74.65		50.11		87.39
Diluted net income per share	-		45.19		79.15

#### Notes:

Percentage figures accompanying consolidated net sales, operating income, ordinary income and net income indicate the percentage increase/decrease from the corresponding period of the previous fiscal year.

#### **Qualitative information regarding the status of consolidated business results:**

In the third quarter (nine-month period), net sales amounted to ¥88,342 million, an increase of 15% year on year. This result is attributed to a 14% increase in domestic net sales, compared with the corresponding period of the previous fiscal year, and marked by strong demand in web offset presses and sheet-fed offset presses in the Japanese market. Overseas sales were robust in the U. S. which increased 26%, solid in Europe which climbed 18% with steady sales to neighboring countries, and strong in other areas which saw a 46% rise due to healthy results in the Middle East and Africa, despite a decrease of 7% in Asia due to the stagnant Chinese market. Compared with the budget, sales in the United States showed moderate growth. However, sales in Japan, China and Europe declined slightly, contributing to an overall decline of 3%.

As a result, operating income increased 28% compared with the corresponding period of the previous fiscal year to ¥6,570 million. Ordinary income rose 53% to ¥9,027 million, owing mainly to the gain on foreign exchange. Net income for the period under review increased 46% to ¥5,236 million.

Overall orders received compared with the corresponding period of the previous fiscal year climbed 14% to ¥102,320 million, owing to strong demand in the United States, Europe and Japan and despite the significant decrease due to continued tight monetary policies in China. Looking at a comparison with the budget, orders received in Japan and the United States increased slightly and fell slightly in Europe. Buoyed by growth in China and other areas, overall orders received climbed 3%.

#### (2) Financial position

(In millions of yen)

	Dec. 31, 2005	Dec. 31, 2004	Mar. 31, 2005
Total assets	202,058	208,720	211,345
Shareholders' equity	148,768	141,758	144,224
Ratio of shareholders' equity to total assets (%)	73.6	67.9	68.2

(yen)

Shareholders' equity per share	2,127.81	1,999.22	2,048.25
--------------------------------	----------	----------	----------

## (3) Summary of statements of cash flows

(In millions of yen rounded down)

	Nine months ended Dec. 31, 2005	Nine months ended Dec. 31, 2004	Year ended Mar. 31, 2005
Net cash provided by operating activities	2,886	3,772	9,962
Net cash (used in) provided by investing activities	(678)	1,069	3,196
Net cash (used in) financing activities	(23,508)	(8,093)	(10,196)
Cash & cash equivalents at the end of period	25,370	39,219	45,509

**Qualitative information regarding changes in consolidated financial position:**

Cash and cash equivalents as of December 31, 2005 totaled ¥25,370 million, a decrease of ¥20,138 million from the previous fiscal year-end. Cash flows are as follows:

In cash flows from operating activities in the third quarter (nine-month period), net cash amounted to ¥2,886 million in line with net income before income taxes which more than offset the increase in inventories due to production brought forward.

Despite payments for the purchase of property, plant and equipment of ¥2,670 million, net cash used in investing activities totaled ¥678 million due to the sale of investments in securities.

Net cash used in financing activities amounted ¥23,508 million owing to the ¥19,993 million redemption of convertible bonds in September 2005, cash dividends paid and the decrease for acquisition of treasury stock.

## (4) Forecast of results of operations for the year ending March 31, 2006

(In millions of Yen)

	Year ending Mar. 31, 2006
Net sales	124,000
Ordinary income	10,900
Net income	6,000

**Qualitative information regarding business results forecasts:**

Business forecast for the fiscal year ending March 31, 2006, remains the same as the estimate as of November 14, 2005. This is attributed to the relatively steady performance during the nine-month period, basically ensuring net sales as scheduled.

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

**Consolidated Balance Sheets**

(In millions of yen)

	Dec. 31, 2005		Dec. 31, 2004		Mar. 31, 2005	
		%		%		%
<b>(ASSETS)</b>						
<b>I Current Assets:</b>	<u>135,444</u>	67.0	<u>139,096</u>	66.6	<u>143,804</u>	68.0
Cash on hand and bank deposits	31,040		41,528		47,913	
Notes and accounts receivable --- trade	56,496		51,381		54,797	
Marketable securities	—		313		312	
Inventories	39,655		38,478		35,084	
Deferred income taxes	4,815		4,494		4,732	
Other current assets	4,382		3,692		1,837	
Allowance for doubtful accounts	(947)		(792)		(872)	
<b>II Fixed Assets:</b>	<u>66,613</u>	33.0	<u>69,624</u>	33.4	<u>67,540</u>	32.0
<b>1.Tangible Fixed Assets</b>	<u>35,548</u>	17.6	<u>34,336</u>	16.5	<u>33,974</u>	16.1
Buildings and structures	11,343		8,520		8,347	
Machinery and equipment	4,183		4,307		4,371	
Land	18,340		19,318		18,922	
Construction in progress	600		1,248		1,354	
Other tangible fixed assets	1,080		940		977	
<b>2.Intangible Fixed Assets</b>	<u>1,256</u>	0.6	<u>1,235</u>	0.6	<u>1,442</u>	0.7
<b>3.Investments and Advances</b>	<u>29,808</u>	14.8	<u>34,053</u>	16.3	<u>32,124</u>	15.2
Investments in securities	14,857		15,108		13,661	
Long-term loans	610		516		510	
Long-term deferred income taxes	496		1,819		1,873	
Insurance fund	12,788		15,046		14,930	
Rehabilitation and related receivables	573		5,423		603	
Other investments and advances	1,015		1,328		1,070	
Allowance for doubtful accounts	(532)		(5,190)		(526)	
<b>Total Assets</b>	<u>202,058</u>	100.0	<u>208,720</u>	100.0	<u>211,345</u>	100.0

(In millions of yen)

	Dec. 31, 2005		Dec. 31, 2004		Mar. 31, 2005	
		%		%		%
<b>(LIABILITIES)</b>						
<b>I Current Liabilities:</b>	<u>49,105</u>	24.3	<u>64,680</u>	31.0	<u>63,579</u>	30.1
Notes and accounts payable --- trade	28,347		26,774		25,006	
Short-term bank loans	1,643		3,055		1,806	
Current position of long-term debt	637		805		796	
Current position of convertible bonds	—		19,993		19,993	
Income taxes payable	1,845		1,640		2,340	
Accrued bonuses to employees	317		323		989	
Reserve for product warranty	1,734		1,520		1,498	
Reserve for loss on guarantees	1,946		1,592		1,680	
Deferred profit on installment sales	502		606		519	
Other current liabilities	12,130		8,367		8,947	
<b>II Long-Term Liabilities:</b>	<u>4,184</u>	2.1	<u>2,282</u>	1.1	<u>3,541</u>	1.7
Long-term debt	683		1,466		1,360	
Accrued retirement benefits for directors and statutory auditors	421		419		429	
Accrued retirement benefits for employees	109		143		115	
Deferred income taxes	2,643		209		1,556	
Other long-term liabilities	327		43		79	
<b>Total Liabilities</b>	<b>53,289</b>	<b>26.4</b>	<b>66,962</b>	<b>32.1</b>	<b>67,120</b>	<b>31.8</b>
<b>(SHAREHOLDERS' EQUITY)</b>						
<b>I Common stock</b>	37,714	18.7	37,714	18.1	37,714	17.8
<b>II Additional paid-in capital</b>	37,871	18.7	37,797	18.1	37,797	17.8
<b>III Retained earnings</b>	76,706	38.0	70,368	33.7	73,057	34.6
<b>IV Unrealized gain on available-for-sale securities</b>	4,240	2.1	1,678	0.7	2,262	1.1
<b>V Cumulative translation adjustment</b>	(609)	(0.3)	(507)	(0.2)	(516)	(0.2)
<b>VI Treasury stock</b>	(7,154)	(3.6)	(5,293)	(2.5)	(6,091)	(2.9)
<b>Total Shareholders' Equity</b>	<b>148,768</b>	<b>73.6</b>	<b>141,758</b>	<b>67.9</b>	<b>144,224</b>	<b>68.2</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>202,058</b>	<b>100.0</b>	<b>208,720</b>	<b>100.0</b>	<b>211,345</b>	<b>100.0</b>

**Consolidated Statements of Income**

	Nine months ended Dec. 31, 2005		Nine months ended Dec. 31, 2004		Year ended Mar. 31, 2005	
		%		%		%
I Net Sales	88,342	100.0	76,788	100.0	111,822	100.0
II Cost of Sales	59,148	67.0	51,783	67.4	75,904	67.9
Reversal from deferred profit on installment sales	150	0.2	255	0.3	333	0.3
Transfer to deferred profit on installment sales	132	0.1	82	0.1	72	0.0
Gross profit	29,211	33.1	25,179	32.8	36,178	32.4
III Selling, General and Administrative Expenses	22,640	25.7	20,062	26.1	27,129	24.3
Operating income	6,570	7.4	5,116	6.7	9,049	8.1
IV Non-Operating Income	3,217	3.6	1,853	2.4	2,874	2.5
Interest and dividend income	552		521		719	
Gain on investment in monetary trusts	—		—		325	
Gain from insurance fund	247		88		177	
Gain on foreign exchange	1,744		698		1,196	
Other non-operating income	672		545		455	
V Non-Operating Expenses	760	0.8	1,083	1.4	2,140	1.9
Interest expenses	262		499		649	
Interest expenses on bonds	59		89		119	
Loss on disposal of obsolete inventories	72		60		99	
Loss on redemption of marketable securities	0		1		1	
Loss on sale of investment in securities	—		—		424	
Litigation settlement expenses	137		100		101	
Compensation for damage	—		—		270	
Other non-operating expenses	228		330		473	
Ordinary income	9,027	10.2	5,887	7.7	9,783	8.7
VI Extraordinary Income	88	0.1	4	0.0	655	0.6
Gain on sale of fixed assets	7		4		5	
Gain on sales of investment in securities	24		—		309	
Reversal of allowance for doubtful accounts	56		—		318	
Other extraordinary income	—		—		21	
VII Extraordinary Losses	810	0.9	31	0.1	489	0.4
Loss on disposal of fixed assets	33		27		400	
Loss on write-down of securities	—		3		—	
Impairment loss on fixed assets	665		—		—	
Other extraordinary losses	111		0		88	
Income before income taxes	8,306	9.4	5,860	7.6	9,948	8.9
Income taxes --- current	2,174	2.5	2,394	3.1	3,092	2.8
Income taxes --- deferred	895	1.0	(126)	(0.2)	574	0.5
Net income	5,236	5.9	3,593	4.7	6,282	5.6

**Consolidated Statements of Cash Flows**

(In millions of yen)

	Nine months ended Dec. 31, 2005	Nine months ended Dec. 31, 2004	Year ended Mar. 31, 2005
<b>I. Cash Flows from Operating Activities:</b>			
Income before income taxes	8,306	5,860	9,948
Depreciation and amortization	1,640	1,660	2,273
Increase (decrease) in allowance for doubtful accounts	57	16	(4,569)
Increase (decrease) in accrued bonuses to employees	(671)	(655)	10
Increase (decrease) in accrued retirement benefits	(6)	(85)	60
Interest and dividend income	(552)	(521)	(719)
Interest expenses	322	589	769
Foreign exchange (gain) loss	(1,231)	(1,353)	(1,703)
Directors' bonuses paid	(39)	(30)	(30)
(Gain) loss on sales of investments in securities	(319)	21	115
Loss on write-down of securities	—	3	—
(Gain) loss on redemption of marketable securities	(29)	1	1
Income from cancellation and expiration of insurance fund	(247)	(88)	(177)
(Increase) decrease in notes and accounts receivable	1,236	5,553	3,317
Increase in inventories	(3,638)	(7,123)	(3,718)
Increase in notes and accounts payable	516	3,832	3,131
Decrease in other receivables	138	17	4,873
Others, net	(551)	19	136
	4,929	7,717	13,718
Interest and dividends earned	552	518	721
Interest paid	(285)	(545)	(770)
Income taxes paid	(2,310)	(3,917)	(3,705)
Net cash provided by (used in) operating activities	2,886	3,772	9,962
<b>II. Cash Flows from Investing Activities:</b>			
Payments of time deposits	(6,482)	(3,578)	(4,653)
Proceeds from maturity of time deposits	3,216	4,183	5,163
Payments for purchase of marketable securities	(0)	(0)	(0)
Proceeds from sale of marketable securities	209	—	—
Proceeds from redemption of marketable securities	101	—	511
Payments for purchase of property, plant and equipment	(2,671)	(1,223)	(3,088)
Proceeds from sale of property, plant and equipment	178	199	249
Payments for purchase of investments in securities	(346)	(228)	(1,461)
Proceeds from sale of investments in securities	2,826	1,150	4,385
Payments of purchase of other investments	(2,535)	(1,521)	(2,006)
Proceeds from maturity of other investments	4,925	2,073	2,815
Increase in loans receivable	(220)	—	—
Collection of loans	120	15	20
Proceeds from monetary trust	—	—	1,258
Net cash provided by (used in) investing activities	(678)	1,069	3,196
<b>III. Cash Flows from Financing Activities</b>			
Increase in short-term debt	2,120	2,225	5,382
Repayment of short-term debt	(2,154)	(5,963)	(10,270)
Repayment of long-term debt	(944)	(1,250)	(1,404)
Redemption of convertible bond	(19,993)	—	—
Decrease for acquisition of treasury stock	(988)	(1,813)	(2,611)
Cash dividends paid	(1,548)	(1,291)	(1,291)
Net cash used in financing activities	(23,508)	(8,093)	(10,196)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	1,161	197	273
<b>V. Net increase (decrease) in cash and cash equivalents</b>	(20,138)	(3,054)	3,236
<b>VI. Cash and cash equivalents at the beginning of the period</b>	45,509	42,241	42,241
<b>VII. Cash and cash equivalents from newly consolidated subsidiaries</b>	—	31	31
<b>VIII. Cash and cash equivalents at the end of the period</b>	25,370	39,219	45,509

(English translation of "ZAIMU/GYOSEKI NO GAIKYO" originally issued in Japanese Language.)

**Consolidated Segment Information****1. Information by Business Segment**

The Komori Group is primarily engaged in a single business activity, namely the manufacture, sale and repair of printing presses. As a result, information by business segment has been omitted.

**2. Information by Geographic Segment**

Nine months ended December 31, 2005

(In millions of yen)

	Japan	The Americas	Europe	Others	Total	Elimination and / or Corporate	Consolidated
Net Sales							
(1) Sales to outside customers	38,838	18,814	26,400	4,289	88,342	—	88,342
(2) Intersegment sales	29,551	42	702	43	30,340	(30,340)	—
Total	68,389	18,857	27,103	4,333	118,683	(30,340)	88,342
Cost of Sales and Operating Expenses	62,690	17,980	26,710	4,165	111,547	(29,775)	81,772
Operating Income	5,699	876	392	167	7,136	(565)	6,570

Nine months ended December 31, 2004

(In millions of yen)

	Japan	The Americas	Europe	Others	Total	Elimination and / or Corporate	Consolidated
Net Sales							
(1) Sales to outside customers	35,330	15,034	21,955	4,468	76,788	—	76,788
(2) Intersegment sales	22,306	37	144	20	22,508	(22,508)	—
Total	57,636	15,071	22,100	4,489	99,297	(22,508)	76,788
Cost of Sales and Operating Expenses	53,374	14,775	22,084	4,279	94,514	(22,843)	71,671
Operating Income	4,261	296	15	209	4,782	334	5,116

Year ended March 31, 2005

(In millions of yen)

	Japan	The Americas	Europe	Others	Total	Elimination and / or Corporate	Consolidated
Net Sales							
(1) Sales to outside customers	53,889	21,206	30,986	5,740	111,822	—	111,822
(2) Intersegment sales	31,628	47	1,009	37	32,723	(32,723)	—
Total	85,518	21,254	31,996	5,777	144,546	(32,723)	111,822
Cost of Sales and Operating Expenses	77,711	20,659	31,757	5,593	135,723	(32,949)	102,773
Operating Income	7,806	594	238	183	8,822	226	9,049

Notes:

1. Among cost of sales and operating expenses in the nine-month period and the last fiscal year, no unallocatable cost is included in elimination or corporate items.

2. Classification of countries and regions/ major countries in each region

I. Classification of countries and regions is based on geographical proximity.

II. Major countries in each region

The Americas: The United States

Europe: The Netherlands, England, France

Others: Hong Kong, Taiwan, Australia

## 3. Overseas Sales

Overseas sales and the proportion of overseas sales to total consolidated net sales are as follows:

Nine months ended December 31, 2005

(In millions of yen, %)

	The Americas	Europe	Asia	Others	Total
(1) Overseas sales	20,544	19,985	13,188	5,336	59,054
(2) Consolidated sales	—	—	—	—	88,342
(3) Ratio of overseas sales (%)	23.3	22.6	14.9	6.0	66.8

Nine months ended December 31, 2004

(In millions of yen, %)

	The Americas	Europe	Asia	Others	Total
(1) Overseas sales	16,371	16,919	14,214	3,650	51,155
(2) Consolidated sales	—	—	—	—	76,788
(3) Ratio of overseas sales (%)	21.3	22.0	18.5	4.8	66.6

Year ended March 31, 2005

(In millions of yen, %)

	The Americas	Europe	Asia	Others	Total
(1) Overseas sales	23,161	24,501	19,231	4,953	71,848
(2) Consolidated sales	—	—	—	—	111,822
(3) Ratio of overseas sales (%)	20.7	21.9	17.2	4.4	64.3

Notes:

1. Figures for overseas sales include net sales of the company and its all consolidated subsidiaries outside of Japan.

2. Classification of countries and regions/ major countries and regions in each category

I. Classification of countries and regions is based on geographical proximity.

II. Major countries in each region

The Americas: The United States, Canada

Europe: The Netherlands, England, France

Asia: Mainland China, Hong Kong, Taiwan