

# **Results of Operations for the Nine Months Ended December 31, 2006** **REPORTED BY KOMORI CORPORATION**

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Note to consolidated financial statements for the Nine Months Ended December 31, 2006

- (1) Adoption of simplified accounting method: Yes  
 Actual 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, rounded down)

	Nine months ended Dec. 31, 2006	% *	Nine months ended Dec. 31, 2005	% *	Year ended Mar. 31, 2006
Net sales	101,659	15.1	88,342	15.0	126,863
Operating income	10,238	55.8	6,570	28.4	9,974
Ordinary income	12,567	39.2	9,027	53.3	12,362
Net income	6,748	28.9	5,236	45.7	7,875

(Yen)

Net income per share	97.18	74.65	111.85
Diluted net income per share	-	-	-

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. Diluted net income per share data has been omitted because there are no shares with a dilutive effect.

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

In the third quarter (the nine-month period ended December 31, 2006), net sales amounted to ¥101,659 million, an increase of 15% compared with the corresponding period of the previous fiscal year. In Japan, sales climbed 20% year on year due to steady sales of sheet-fed offset presses and web offset presses. Buoyed by continued robust demand in Central and Eastern Europe as well as growth in Southern Europe, overall sales in Europe rose 34%. While sales increased in the Americas and Asia by 8% and 4%, respectively, results in other regions declined 26%. This is attributed to the sales drop in Turkey, impacted by currency depreciation. Compared with the Company's budget, overall sales were in line with initial estimates. Despite a decline in China regions and other regions, and a slight drop in Japan, sales in the Americas were consistent with the budget, and an increase was recorded in Europe.

On the earnings front, operating income increased 56% compared with the corresponding period of the previous fiscal year to ¥10,238 million while ordinary income rose 39% year on year to ¥12,567 million, reflecting the jump in net sales. Net income also expanded 29% to ¥6,748 million.

Overall orders received compared with the corresponding period of the previous fiscal year rose 8% to ¥110,220 million. Orders in Japan declined 8% year on year. Despite an increase in demand for sheet-fed offset presses, orders for web offset presses contracted due mainly to market readjustment after three consecutive years of record growth and the slowdown in upgrade demand. Overseas, orders in North America edged up slightly, while Komori enjoyed strong demand in China regions, and Latin America, as well as Europe. In comparison with the Company's budget, orders received in Japan declined slightly. On the other hand, orders rose in Europe, North America and China regions, contributing to an overall increase of 6%.

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

	Dec. 31, 2006	Dec. 31, 2005	Mar. 31, 2006
Total assets	212,247	202,058	206,967
Net assets	153,832	148,768	150,597
Ratio of shareholders' equity to total assets (%)	72.5	73.6	72.8

(Yen)

Net assets per share	2,219.73	2,127.81	2,167.27
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(English translation of "ZAIMU/GYOSEKI NO GAIKYO" originally issued in Japanese language.)

## (3) Summary of statements of cash flows

(In millions of yen, rounded down)

	Nine months ended Dec. 31, 2006	Nine months ended Dec. 31, 2005	Year ended Mar. 31, 2006
Net cash provided by operating activities	1,234	2,886	10,084
Net cash (used in) investing activities	(112)	(678)	(2,103)
Net cash (used in) financing activities	(3,268)	(23,508)	(25,125)
Cash & cash equivalents at the end of period	27,204	25,370	28,916

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

Cash and cash equivalents as of December 31, 2006 stood at ¥27,204 million, a decrease of ¥1,712 million compared with the previous fiscal year-end. Cash flows for the period under review were as follows:

Net cash provided by operating activities totaled ¥1,234 million. While Komori experienced an increase in inventories and an increase in notes and accounts receivable reflecting order growth, this was more than offset by income before income taxes.

Net cash used in investing activities amounted to ¥112 million. Despite payments for purchase of property, plant and equipment totaling ¥3,353 million, Komori reported proceeds from sale of investments in securities.

Net cash used in financing activities were ¥3,268 million. Major components were repayment of overseas subsidiaries' debt, payments for acquisition and retirement of treasury stock and cash dividends paid.

## (4) Forecast of results of operations for the year ending March 31, 2007

(In millions of yen)

	Year ending Mar. 31, 2007
Net sales	139,000
Ordinary income	13,600
Net income	8,200

**Qualitative information regarding business results forecasts:**

Business forecasts for the fiscal year ending March 31, 2007 remain unchanged from estimates announced on November 13, 2006. This is attributed to Komori's relatively steady performance during the nine-month period, effectively 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, 2006		Dec. 31, 2005		Mar. 31, 2006	
		%		%		%
<b>(ASSETS)</b>						
<b>. Current Assets:</b>	<u>143,052</u>	67.4	<u>135,444</u>	67.0	<u>134,562</u>	65.0
Cash on hand and bank deposits	28,016		31,040		30,186	
Notes and accounts receivable --- trade	60,443		56,496		58,734	
Marketable securities	79		-		73	
Inventories	45,052		39,655		37,121	
Deferred income taxes	6,148		4,815		5,817	
Other current assets	3,911		4,382		4,103	
Allowance for doubtful accounts	(600)		(947)		(1,475)	
<b>. Fixed Assets:</b>	<u>69,195</u>	32.6	<u>66,613</u>	33.0	<u>72,405</u>	35.0
<b>1. Tangible Fixed Assets</b>	<u>36,257</u>	17.1	<u>35,548</u>	17.6	<u>35,881</u>	17.3
Buildings and structures	10,715		11,343		11,197	
Machinery and equipment	5,389		4,183		5,048	
Land	18,389		18,340		18,292	
Construction in progress	550		600		136	
Other tangible fixed assets	1,213		1,080		1,206	
<b>2. Intangible Fixed Assets</b>	<u>794</u>	0.4	<u>1,256</u>	0.6	<u>838</u>	0.4
<b>3. Investments and Advances</b>	<u>32,142</u>	15.1	<u>29,808</u>	14.8	<u>35,685</u>	17.3
Investments in securities	10,588		14,857		15,323	
Long-term loans	538		610		593	
Long-term deferred income taxes	326		496		625	
Insurance fund	13,105		12,788		12,566	
Rehabilitation and related receivables	3,120		573		558	
Long-term deposits	5,830		-		5,500	
Other investments and advances	1,025		1,015		1,039	
Allowance for doubtful accounts	(2,392)		(532)		(521)	
<b>Total Assets</b>	<u>212,247</u>	100.0	<u>202,058</u>	100.0	<u>206,967</u>	100.0

(In millions of yen)

	Dec. 31, 2006		Dec. 31, 2005		Mar. 31, 2006	
		%		%		%
<b>(LIABILITIES)</b>						
<b>. Current Liabilities:</b>	54,805	25.8	49,105	24.3	51,332	24.8
Notes and accounts payable --- trade	31,652		28,347		28,561	
Short-term bank loans	946		1,643		1,525	
Current portion of long-term debt	376		637		417	
Income taxes payable	3,257		1,845		2,736	
Accrued bonuses to employees	405		317		1,069	
Reserve for product warranty	2,338		1,734		2,358	
Reserve for loss on guarantees	2,228		1,946		2,021	
Deferred profit on installment sales	398		502		460	
Other current liabilities	13,201		12,130		12,180	
<b>. Long-Term Liabilities:</b>	3,608	1.7	4,184	2.1	5,037	2.4
Long-term debt	185		683		491	
Accrued retirement benefits for directors and statutory auditors	461		421		431	
Accrued retirement benefits for employees	380		109		1,000	
Deferred income taxes	2,250		2,643		2,869	
Other long-term liabilities	330		327		245	
<b>Total Liabilities</b>	<b>58,414</b>	<b>27.5</b>	<b>53,289</b>	<b>26.4</b>	<b>56,370</b>	<b>27.2</b>
<b>(NET ASSETS)</b>						
<b>. Shareholders' Equity:</b>						
Common stock	37,714	17.8	-	-	-	-
Additional paid-in capital	37,871	17.9	-	-	-	-
Retained earnings	80,282	37.8	-	-	-	-
Treasury stock	(4,571)	(2.2)	-	-	-	-
Total shareholders' equity	151,296	71.3				
<b>. Valuation and Conversions:</b>						
Unrealized gain on available-for-sale securities	3,052	1.4	-	-	-	-
Cumulative translation adjustment	(516)	(0.2)	-	-	-	-
Total valuation and conversions	2,536	1.2				
<b>. Minority Interests</b>	-	-	-	-	-	-
<b>Total Net Assets</b>	<b>153,832</b>	<b>72.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Net Assets</b>	<b>212,247</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(MINORITY INTERESTS)</b>						
Minority interests	-	-	-	-	-	-
<b>(SHAREHOLDERS' EQUITY)</b>						
<b>. Common stock</b>	-	-	37,714	18.7	37,714	18.2
<b>. Additional paid-in capital</b>	-	-	37,871	18.7	37,871	18.3
<b>. Retained earnings</b>	-	-	76,706	38.0	75,384	36.4
<b>. Unrealized gain on available-for-sale securities</b>	-	-	4,240	2.1	4,519	2.2
<b>. Cumulative translation adjustment</b>	-	-	(609)	(0.3)	(675)	(0.3)
<b>. Treasury stock</b>	-	-	(7,154)	(3.6)	(4,217)	(2.0)
<b>Total Shareholders' Equity</b>	-	-	148,768	73.6	150,597	72.8
<b>Total Liabilities and Shareholders' Equity</b>	-	-	202,058	100.0	206,967	100.0

**Consolidated Statements of Income**

(In millions of yen)

	Nine months ended Dec. 31, 2006		Nine months ended Dec. 31, 2005		Year ended Mar. 31, 2006	
		%		%		%
<b>. Net Sales</b>	101,659	100.0	88,342	100.0	126,863	100.0
<b>. Cost of Sales</b>	67,348	66.3	59,148	67.0	84,616	66.7
Reversal from deferred profit on installment sales	106	0.1	150	0.2	192	0.1
Transfer to deferred profit on installment sales	44	0.0	132	0.1	132	0.1
Gross profit	34,372	33.8	29,211	33.1	42,305	33.3
<b>. Selling, General and Administrative Expenses</b>	24,133	23.7	22,640	25.7	32,331	25.4
Operating income	10,238	10.1	6,570	7.4	9,974	7.9
<b>. Non-Operating Income</b>	2,925	2.9	3,217	3.6	3,837	2.9
Interest and dividend income	605		552		791	
Gain on sales of marketable securities	91		-		295	
Gain from insurance fund	89		247		286	
Gain on foreign exchange	1,907		1,744		1,988	
Other non-operating income	232		672		475	
<b>. Non-Operating Expenses</b>	597	0.6	760	0.8	1,449	1.1
Interest expenses	240		262		349	
Interest expenses on bonds	-		59		59	
Loss on disposal of obsolete inventories	16		72		92	
Loss on redemption of marketable securities	-		0		0	
Loss on sale of investments in securities	-		-		-	
Litigation settlement expenses	-		137		138	
Compensation for damages	168		-		568	
Loss on devaluation of inventories	76		-		134	
Other non-operating expenses	94		228		107	
Ordinary income	12,567	12.4	9,027	10.2	12,362	9.7
<b>. Extraordinary Income</b>	741	0.7	88	0.1	638	0.5
Gain on sale of fixed assets	65		7		13	
Gain on sales of investment in securities	639		24		354	
Reversal of allowance for doubtful accounts	15		56		219	
Reversal of reserve for loss on guarantees	22		-		-	
Other extraordinary income	-		-		50	
<b>. Extraordinary Losses</b>	1,102	1.1	810	0.9	2,325	1.8
Loss on disposal of fixed assets	112		33		49	
Impairment loss on fixed assets	-		665		665	
Plant relocation expenses	43		-		205	
Transfer to allowance for doubtful accounts	897		-		756	
Initial transition loss for retirement benefits	-		-		631	
Other extraordinary losses	48		111		16	
Income before income taxes	12,205	12.0	8,306	9.4	10,675	8.4
Income taxes --- current	5,252	5.2	2,174	2.5	3,922	3.1
Refund of previous year's income taxes	-	-	-	-	(1,372)	(1.1)
Income taxes --- deferred	204	0.2	895	1.0	249	0.2
Net income	6,748	6.6	5,236	5.9	7,875	6.2

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

**Consolidated Statements of Changes in Shareholders' Equity**

(In millions of yen)

	Shareholders' Equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	37,714	37,871	75,384	(4,217)	146,753
Changes during the quarter					
Cash dividends			(1,806)		(1,806)
Directors' bonus			(45)		(45)
Net income			6,748		6,748
Acquisition of treasury stock				(354)	(354)
Net changes during the quarter in items other than shareholders' equity					
Total			4,897	(354)	4,542
Balance as of December 31, 2006	37,714	37,871	80,282	(4,571)	151,296

	Valuation and Conversions			Total net assets
	Unrealized gain (loss) on available-for-sale securities	Cumulative translation adjustment	Total valuation and conversions	
Balance as of March 31, 2006	4,519	(675)	3,843	150,597
Changes during the quarter				
Cash dividends				(1,806)
Directors' bonus				(45)
Net income				6,748
Acquisition of treasury stock				(354)
Net changes during the quarter in items other than shareholders' equity	(1,466)	158	(1,307)	(1,307)
Total	(1,466)	158	(1,307)	3,235
Balance as of December 31, 2006	3,052	(516)	2,536	153,832

**Consolidated Statements of Cash Flows**

(In millions of yen)

	Nine months ended Dec. 31, 2006	Nine months ended Dec. 31, 2005	Year ended Mar. 31, 2006
<b>. Cash Flows from Operating Activities:</b>			
Income before income taxes	12,205	8,306	10,675
Depreciation and amortization	1,712	1,640	2,314
Impairment loss	-	665	665
Increase in allowance for doubtful accounts	852	57	549
Increase (decrease) in accrued bonuses to employees	(664)	(671)	80
Increase (decrease) in accrued retirement benefits	(656)	(6)	860
Interest and dividend income	(605)	(552)	(791)
Interest expenses	240	322	409
Foreign exchange (gain)	(2,538)	(1,231)	(2,510)
Directors' bonuses paid	(45)	(39)	(39)
(Gain) on sales of investments in securities	(730)	(319)	(650)
Loss on redemption of marketable securities	-	(29)	0
Income from cancellation and expiration of insurance fund	(89)	(247)	(286)
(Increase) decrease in notes and accounts receivable	(2,171)	1,236	(916)
Increase in inventories	(6,652)	(3,638)	(979)
Increase in notes and accounts payable	3,188	516	2,765
(Increase) decrease in other receivables	(341)	138	565
Others, net	1,588	(1,217)	(193)
Subtotal	5,293	4,929	12,520
Interest and dividends earned	511	552	762
Interest paid	(237)	(285)	(412)
Income taxes paid	(4,333)	(2,310)	(2,786)
Net cash provided by operating activities	1,234	2,886	10,084
<b>. Cash Flows from Investing Activities:</b>			
Payments of time deposits	(1,500)	(6,482)	(11,582)
Proceeds from maturity of time deposits	1,627	3,216	7,216
Payments for purchase of marketable securities	(0)	(0)	(0)
Proceeds from sale of marketable securities	-	209	209
Proceeds from redemption of marketable securities	-	101	128
Payments for purchase of property, plant and equipment	(3,353)	(2,671)	(3,545)
Proceeds from sale of property, plant and equipment	293	178	379
Payments for purchase of investments in securities	(316)	(346)	(451)
Proceeds from sale of investments in securities	3,499	2,826	3,011
Payments of purchase of other investments	(2,651)	(2,535)	(3,164)
Proceeds from maturity of other investments	2,233	4,925	5,778
Increase in loans receivable	-	(220)	(220)
Collection of loans	55	120	137
Net cash (used in) investing activities	(112)	(678)	(2,103)
<b>. Cash Flows from Financing Activities:</b>			
Increase in short-term debt	1,150	2,120	2,238
Repayments of short-term debt	(1,907)	(2,154)	(2,457)
Repayments of long-term debt	(350)	(944)	(1,351)
Repayments of bond sinking	-	(19,993)	(19,993)
Payments for acquisition and retirement of treasury stock	(354)	(988)	(2,012)
Cash dividends paid	(1,806)	(1,548)	(1,548)
Net cash (used in) financing activities	(3,268)	(23,508)	(25,125)
<b>. Effect of exchange rate changes on cash and cash equivalents</b>	434	1,161	551
<b>. Net (decrease) in cash and cash equivalents</b>	(1,712)	(20,138)	(16,592)
<b>. Cash and cash equivalents at the beginning of the period</b>	28,916	45,509	45,509
<b>. Cash and cash equivalents at the end of the period</b>	27,204	25,370	28,916

## 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, 2006

(In millions of yen)

	Japan	The Americas	Europe	Others	Total	Elimination and / or Corporate	Consolidated
Net sales							
(1) Sales to outside customers	46,327	19,955	30,123	5,252	101,659	-	101,659
(2) Intersegment sales	37,850	84	297	32	38,264	(38,264)	-
Total	84,178	20,040	30,421	5,284	139,924	(38,264)	101,659
Operating expenses	74,030	18,767	30,214	5,177	128,189	(36,768)	91,420
Operating income	10,147	1,273	207	107	11,734	(1,496)	10,238

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
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

Notes:

1. Among operating expenses in the nine-month period, 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

Year ended March 31, 2006

(In millions of yen)

	Japan	The Americas	Europe	Others	Total	Elimination and / or Corporate	Consolidated
Net sales							
(1) Sales to outside customers	58,476	25,837	36,431	6,118	126,863	-	126,863
(2) Intersegment sales	41,034	76	1,403	47	42,562	(42,562)	-
Total	99,510	25,914	37,834	6,166	169,425	(42,562)	126,863
Operating expenses	90,721	24,641	37,304	5,959	158,627	(41,738)	116,888
Operating income	8,789	1,272	529	206	10,798	(823)	9,974

### 3. Overseas Sales

Nine months ended December 31, 2006 (In millions of yen, %)

	The Americas	Europe	Asia	Others	Total
(1) Overseas sales	22,256	26,743	13,690	3,969	66,660
(2) Consolidated sales	-	-	-	-	101,659
(3) Ratio of overseas sales (%)	21.9	26.3	13.5	3.9	65.6

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

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: China, Hong Kong, Taiwan

Year ended March 31, 2006 (In millions of yen, %)

	The Americas	Europe	Asia	Others	Total
(1) Overseas sales	28,708	28,382	17,051	6,961	81,103
(2) Consolidated sales	-	-	-	-	126,863
(3) Ratio of overseas sales (%)	22.6	22.4	13.4	5.5	63.9