

Financial Results for the Fiscal Year Ended October 31, 2014 [Japan GAAP] (Consolidated)

Date: December 11, 2014
 Company: Tomoe Engineering Co., Ltd. and Subsidiaries
 (URL: http://www.tomo-e.co.jp/index_e.html)
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 Date of Annual Shareholders Meeting: January 29, 2015
 Date of Dividend Payment: January 30, 2015
 Date of Financial Statement: January 29, 2015
 Preparation of Supplementary Explanatory Materials for Annual Operating Results: Yes
 Briefing Session for Annual Operating Results: Yes (for institutional investors)

* Any fractional sums less than one million (or one thousand) yen are disregarded

1. Consolidated Financial Results for the Year Ended October 31, 2014

(1) Results of Operation (Consolidated)

(Percent: change from the previous year)

	Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Year Ended October 31, 2014	40,714	6.6	1,273	-16.0	1,629	-3.0
Year Ended October 31, 2013	38,176	-8.2	1,516	-38.1	1,680	-35.5

(Note) Comprehensive income

Fiscal year ended October 31, 2014: 1,390 million yen (-3.4%)

Fiscal year ended October 31, 2013: 1,439 million yen (-8.4%)

	Net Income		Net Income per Share	Diluted Net Income per Share	Return on Equity	Return on Assets	Return on Sales
	(Millions of Yen)	(Percent)	(Yen)	(Yen)	(Percent)	(Percent)	(Percent)
Year Ended October 31, 2014	1,103	31.1	110. ⁵⁴	-	4.7	4.8	3.1
Year Ended October 31, 2013	841	-48.0	84. ²⁹	-	3.7	5.0	4.0

(Reference) Equity in earnings (loss) of unconsolidated subsidiaries and affiliates

Fiscal year ended October 31, 2014: None

Fiscal year ended October 31, 2013: None

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B / A) (Percent)	Net Assets per Share (Yen)
Year Ended October 31, 2014	33,817	23,943	70.8	2,399. ⁵³
Year Ended October 31, 2013	33,477	23,575	69.8	2,340. ³⁴

(Reference) Net assets

Fiscal year ended October 31, 2014: 23,943 million yen

Fiscal year ended October 31, 2013: 23,353 million yen

(3) Cash Flows (Consolidated)

(Millions of Yen)

	Net Cash Provided (Used) by Operating Activities	Net Cash Provided (Used) by Investing Activities	Net Cash Provided (Used) by Financing Activities	Consolidated Cash and Cash Equivalent as of Year-end
Year Ended October 31, 2014	525	(710)	(1,562)	5,661
Year Ended October 31, 2013	498	(755)	(381)	7,171

2. Dividend Status

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	End of Fiscal Year	Total
Year Ending October 31, 2013	-	0.00	-	45. ⁰⁰	45. ⁰⁰
Year Ending October 31, 2014	-	22.50	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2015(Prospect)	-	22.50	-	22. ⁵⁰	45. ⁰⁰

	Total Dividend (Millions of Yen)	Dividend Payout Ratio (Consolidated) (Percent)	Dividend on Equity Ratio (Consolidated) (Percent)
Year Ending October 31, 2013	449	53.4	2.0
Year Ending October 31, 2014	449	40.7	1.9
Year Ending October 31, 2015(Prospect)	-	39.0	-

3. Forecast for the Year Ending October 31, 2015 (Consolidated)

(Percent: Change from the previous year for the full business year and 6-month period)

	Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Six-month Period	20,700	3.7	880	4.0	900	-12.2
Full Business Year	42,700	4.9	1,830	43.7	1,850	13.5

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)
Six-month Period	670	-13.5	67. ¹⁴
Full Business Year	1,150	4.3	115. ²⁵

Notes

- (1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes in the scope of consolidation): None
- (2) Changes of the principles, procedures, and representation of the accounting policies
 - 1) Change due to revision of accounting standard: Existing
 - 2) Other changes than the above 1): None
 - 3) Change in accounting estimates: None
 - 4) Retrospective restatements: None
- (3) Number of outstanding shares (Common stock)
 - 1) Number of outstanding shares at year-end (including treasury stocks)

At October 31, 2014: 10,533,200 shares	At October 31, 2013: 10,533,200 shares
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 - 2) Number of treasury stocks at year-end

At October 31, 2014: 554,667 shares	At October 31, 2013: 554,592 shares
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 - 3) Number of average shares

At October 31, 2014: 9,978,566 shares	At October 31, 2013: 9,978,612 shares
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*Presentation Concerning Implementation of Audit Procedures

This financial report is exempt from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the Company has not completed the audit procedures for financial statements based on the Financial Instruments and Exchange Act.

*Explanations for appropriate use of the earnings forecast and other special instructions

The forward-looking statements such as a forecast of our financial results described herein are based on the information currently available to us and certain assumptions that we believe are reasonable. Actual results could differ materially due to various factors. For assumptions of the forecasts and necessary precautions, refer to (1) [Analysis of Operating Results] of 1. [Operating Results and Financial Condition], on page 5.

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1. Operating Results and Financial Condition

(1) Analysis of Operating Results

[1] General condition of the current consolidated fiscal year

General operating results

During the consolidated fiscal year, Japan's economy showed its gradual recovery trend spurred by the effect of the government's economic and monetary policies, including improved corporate performance and a recovery in capital investment despite a decline in economic performance following rush demand and negative impact afterwards associated with the consumption tax hike.

Overseas, even as the U.S. economy remained strong, as the European economy showed signs of a slowdown, and as the economic growth of China and other newly developing countries slowed down, the future remained shrouded in unpredictable economic situation.

Given these circumstances, in the Machinery & Equipment Business net sales of components and repairs for the domestic public sector and overseas sales of machinery including China turned flat, but net sales of machinery, equipment and construction for the domestic public sector and net sales of components and repairs in North America remained steady. In the Chemical Products Business, net sales in the domestic plastics sector were lackluster but net sales in the domestic fine chemicals, advanced materials, electronics materials and industrial materials sectors, all remained strong. In terms of earnings during the period, while profits were lower in the Machinery & Equipment Business, earnings in the Chemical Products Business increased, primarily reflecting the higher sales. The Tomoe Engineering Group also reported extraordinary income as a result of dividends received from unconsolidated subsidiaries and the acquisition of a minority interest pertaining to the resin plastic compounding business acquired 100% ownership in Shenzhen, China.

As a result of the above, full-year consolidated net sales for the Tomoe Engineering Group rose 6.6% from the previous consolidated fiscal year to 40,714 million yen. Operating income was 1,273 million yen, 16.0% down from the previous consolidated fiscal year, ordinary income was 1,629 million yen, 3.0% down from the previous consolidated fiscal year, and net income was 1,103 million yen, 31.1% up from the previous consolidated fiscal year.

[Summary by business segment]

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales of components and repairs for the domestic public sector and overseas sales of equipment including China declined, on the other hand net sales of equipment, device and construction for the domestic public sector and net sales of components and repairs in North America and abrasive grain slurry recycling equipment for solar battery production increased. As a result of these factors, consolidated net sales ended at 10,204 million yen, 9.5% up compared with the previous fiscal year. From an earnings perspective, operating income was 157 million yen, 70.1% down from the previous fiscal year against the reporting of projects with lower profitability on overseas sales, and the reporting of devalued inventory caused by cancellation of orders in overseas machinery sales.

(Chemical Products Business)

In the Chemical Products Business, sales in the plastics sector of commodity plastics including imported wood decreased. On the other hand, sales of UV curing resin in the fine chemicals sector, sales in the advanced materials sector of ceramic for use in semiconductor manufacturing, sales in electronics materials sector of carrier tray for use in semiconductor manufacturing, sales in the industrial materials sector for housing and construction applications were brisk. As a result, full-year consolidated net sales were 30,510 million yen, 5.7% up from the previous fiscal year.

With respect to earnings, operating income was driven by the growth in net sales for products such as commercial products with comparatively high margins in the advanced materials sector and the industrial material market, and amounted to 1,115 million yen, 12.8% up from the previous fiscal year.

[2] Outlook for the next fiscal year (November 1, 2014 - October 31, 2015)

During the fiscal year ending in October 2015, Japan's economy is expected to continue the momentum carrying it toward a sustainable recovery, including an improvement in corporate operating performance and increase in capital investment, as the result of various economic measures. The move toward economic recovery is being supported by growth of corporate earnings associated with devalued yen, and effect of rising share value to corporate assets. On the other hand, US economy is showing a recovery trend but there are uncertainties over the economies in Europe and newly developing countries, and the management environment surrounding the Tomoe Engineering Group is projected to remain severe.

Given such circumstances, in the Machinery & Equipment Business we expect to expand our market for oil wells and petrochemicals, particularly through our local subsidiaries in the North and South America regions, while domestically we expect lower sales of our low-power, energy-saving centrifuge models from the major projects, and we project fiscal year consolidated net sales of 11,070 million yen (8.5% up compared with the previous year) and operating income of 650 million yen (311.8% up compared with the previous year). In the Chemical Products Business, domestically we will maintain our share of sales in our existing business by working to further enhance our portfolio of commercial products to address market needs. We also project overseas sales to expand as a result of the development of new markets and commercial products centered on Southeast Asia, and we project a recovery of our resin plastic compounding business in Shenzhen, China. As a result, we project fiscal year consolidated net sales of 31,630 million yen (3.7% up compared with the previous year), and operating income of 1,180 million yen (5.8% up compared with the previous year).

As a result of these efforts, for the entire Tomoe Engineering Group in the consolidated fiscal year ending October 2015, we project net sales to grow by 4.9% to 42,700 million yen, operating income to increase by 43.7% to 1,830 million yen, and ordinary income to increase by 13.5% to 1,850 million yen. Because we do not anticipate any special factors, including extraordinary income or losses, we project net income to climb by 4.3% to 1,150 million yen.

The operating results forecasts for the next period described above are based on information available to the Company at the time the forecasts were prepared and assumptions judged to be reasonable. Actual operating results might differ from these forecasts depending upon changes in domestic and international financial and economic conditions, the supply and demand situation, various risk factors and other uncertainties.

(2) Analysis of Financial Condition

[1] Assets, Liabilities, and Net Assets

Assets at the end of the current consolidated fiscal year were 33,817 million yen, up 340 million or 1.0% from the balance at the end of the previous consolidated fiscal year, reflecting lower cash and deposits and increase in notes and accounts receivable-trade and noncurrent assets.

Liabilities were 9,874 million yen, down 28 million yen or 0.3% from the end of the previous consolidated fiscal year, mainly reflected an increase of income taxes payable and a decrease of accounts payable and loans payable.

Net assets were 23,943 million yen, 368 million yen or 1.6% up from the end of the previous consolidated fiscal year. This mainly reflected an increase of retained earnings reported at the current consolidated net income, and an increase in the translation adjustments account associated with overseas subsidiaries, which was affected by the depreciation of the yen.

As a result of the above changes, the equity ratio at the end of the consolidated fiscal year rose by 1.0 points compared with the end of the previous consolidated fiscal year to 70.8%.

[2] Cash Flow Status

Balance of cash and cash equivalent as of the end of the current consolidated fiscal year decreased by 1,510 million yen to 5,661 million yen from the previous consolidated fiscal year. Status of each cash flow and their factors during the current consolidated fiscal year are as follows:

(Net Cash Provided by (Used in) Operating Activities)

Net cash provided by operating activities was 525 million yen (498 million yen provided during the previous consolidated fiscal year). Income before income taxes and minority interests was 1,782 million yen, and notes and accounts receivable-trade increased by 1,669 million yen.

(Net Cash Provided by (Used in) Investing Activities)

Because purchases of plant, property and equipment were 564 million yen, and purchases of intangible fixed assets were 126 million yen, the net amount of cash used in investing activities was 710 million yen (755 million yen used during the previous consolidated fiscal year).

(Net Cash Provided by (Used in) Financing Activities)

Net cash used in financing activities was 1,562 million yen (381 million yen used during the previous consolidated fiscal year), mainly for the repayment of loans of 807 million yen and the payment of cash dividends of 673 million yen.

The trends in cash flow indices are as follows:

Trends in cash flow indices

	Year Ended October 31, 2010	Year Ended October 31, 2011	Year Ended October 31, 2012	Year Ended October 31, 2013	Year Ended October 31, 2014
Equity Ratio (Percent)	62.4	64.5	66.0	69.8	70.8
Equity Ratio Based on Market Value (Percent)	38.6	42.5	39.7	46.6	51.7
Debt-repayment to Cash Flow Ratio (Years)	0.3	0.3	0.8	1.7	0.2
Interest Coverage Ratio (Percent)	151.7	258.7	115.8	35.6	74.5

Equity ratio: Net assets/ Total assets

Equity ratio based on market value: Market capitalization of shares / Total assets

Debt-repayment to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow /Interest payment

(Note)

1. All indices are calculated on the basis of consolidated financial figures.
2. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.
3. Cash flow refers to net cash provided by (used in) operating activities.
4. Interest-bearing debt refers to all debt reported on the consolidated balance sheet for which interest is being paid.

(3) Basic Policy for Profit Sharing and Dividends for Fiscal 2014 and 2015

As its basic policy, the Tomoe Engineering Group will “implement appropriate, stable dividends by seeking to increase internal reserves to reinforce our financial position and corporate strength, and by considering consolidated operating results, the group’s medium-term business strategy and other factors in a comprehensive manner.”

Based on the above policy, we plan to pay a dividend of 45 yen per share, including the dividend of 22.5 yen per share for the consolidated fiscal year ending on October 31, 2014, and the interim dividend of 22.5 yen per share.

For the dividend for the next consolidated fiscal year, we plan to pay 45 yen per share (including an interim dividend per share of 22.5 yen), based on consideration of the outlook for consolidated operating results.

(4) Risk Factors in Business

The key areas of business risks of our group that might have significant influence on investors’ decision are as follows. The following judgments are made based on the business information at the end of the current consolidated fiscal year, although some forward-looking statements are contained.

[1] Influence of Foreign Exchange Fluctuation

Businesses of our group include exports and import in foreign currencies, and exchange rate fluctuations may affect the values after translation into yen. Operating results and financial condition of our group might be affected by the range of foreign exchange fluctuation although we make efforts to minimize exchange fluctuation risks by entering into forward exchange contracts. Since our group has overseas subsidiaries, we prepare financial statements in foreign currencies. In preparing consolidated financial statements, there is a risk associated with exchange fluctuation when converting into yen equivalent.

[2] Potential Risk of Overseas Activities

Our group is engaged in marketing and manufacturing overseas, focusing on China and other Southeast Asian countries. Our group will monitor the local situations with the greatest care and take appropriate actions on a timely basis. However, our group’s operating results and financial condition might be affected by unforeseen circumstances arising from local political conditions, governments, legal restrictions, taxation systems, customs, etc.

[3] Risk Associated with Quality of Goods and Products

The products of our group are manufactured by paying due attention based on systematic quality control. The products that require technical development might cause risk of having cost of repair and replacement. Also, since our group is not directly involved in manufacturing of many of imported raw materials, defects that our group is not directly associated with may occur and we might be obligated to cease sales and collect such materials. Although we are prepared to take prompt and appropriate actions to cope with the risks involved in quality of manufactured products and commercial goods, it may affect our group’s operating results and financial condition to the extent of the problem.

[4] Risks of New Investment

Our group is in a quest to pursue high-value-added business all the time. To do this, we must take measures such as aggressive investment in some situations; however, these measures may involve higher potential risks than conventional business risks. Even though we take such sufficient preparations and measures, some unexpected events may result in affecting operating results and financial condition of our group.

[5] Risks when a Natural Disaster Occurs

Our group is implementing various risk measures, including seismic performance improvements to buildings and structures (including rental properties), preparation of emergency response procedures, data backup enhancements and the introduction of a system to confirm executive and employee safety, and working to prepare a business contingency plan (BCP). Although we are implementing such measures, however, there is a possibility our production capacity or sales capabilities might be substantially reduced by the occurrence of a large-scale natural disaster to which we cannot respond, and business opportunities could be lost and our operating results and financial position might be affected as a result.

2. Management Policy

(1) Basic Management Philosophy

Our basic management philosophy is to contribute to society and provide a good quality of life to people involved through growth and development of our company with spirit of creation and entrepreneurship and to provide our customers with high level of technologies and excellent products. Guided by this policy, we shall be engaged in the manufacture and sale of machinery based primarily on solid-liquid separation techniques and importation of unique and specialty raw materials for chemical industry.

(2) Target Management Indices

Rather than just aiming for a volume growth, in our Machinery & Equipment Business we always try to develop and sell products that require specialized technology, while in our Chemical Products Business we seek to handle unique, high value-added products that demand expertise, even if their market is not so large. To pursue these goals, we regard improvement of profitability as our primary management goal. As a management indicator for meeting these goals, we give highest priority to ordinary income, which directly expresses the nature and change of profitability.

(3) Mid- and Long-term Management Strategy

The long-term management strategy of Machinery & Equipment Business is to develop new products, reduce manufacturing cost, and expand business overseas, and that of Chemical Products Business is to discover unique new commercial products, to seek new customers and to deploy business aggressively for overseas markets.

To achieve continuous progress on our basic strategy, in November 2013 we formulated the Tenth Mid-term Management Plan "Target 2016" (from November 1, 2013 to October 31, 2016). The plan is devoted mainly to implementing measures based on the following policies after newly identifying the ideal approach to allocating management resources and capturing market share. More specifically, in the Machinery & Equipment Business, we will expand foreign sales centered on North and South America, China and Southeast Asia, while increasing domestic sales of our low-power, energy-saving centrifuge. In the Chemical Products Business, we set key strategies to increase overseas sales by developing new markets and new commercial products mainly in Southeast Asian market, and to maintain our market share of the existing business by implementing measures to meet customer needs. As our objective, we will seek to achieve consolidated net sales of 47,500 million yen and ordinary income of 2,600 million yen in the fiscal year ending October 2016, the final year of our mid-term management planning period.

(4) Challenges to be Addressed

Japan's economy is expected to continue the momentum carrying it toward a sustainable recovery, including an improvement in corporate operating performance and increase in capital investment, as the result of various economic measures. The move toward economic recovery is being supported by growth of corporate earnings associated with devalued yen, and effect of rising share value to corporate assets. On the other hand, US economy is showing a recovery trend but there are uncertainties over the economies in Europe and newly developing countries, and the management environment surrounding the Tomoe Engineering Group is projected to remain severe. In light of this environment, the Tomoe Group recognizes that achieving overseas business expansion in both its businesses is a priority issue. In the Machinery & Equipment Business, we will concentrate on development of the North and South America markets based on our local subsidiaries, and on

sales growth in the markets in China and Southeast Asia based on a strengthened sales agent policy. In the Chemical Products Business, we will focus on expansion of our business territory through efforts to create new markets and commercial products mainly in Southeast Asia, which is expected to grow. In Tomoe's resin plastic compounding business at its subsidiary in Shenzhen, China, the Company will undertake a rebuilding effort aimed at reinvigorating operating results by specializing in products such as commodity plastics, and devoting efforts to retaining existing customers and acquiring new customers and broadening the market. The Company also will strive to further strengthen the operating base by systematically training the human resources who support Tomoe's overseas business and the individuals who will be responsible for the future management of these operations. To steadily execute these issues, the Company's policy is to achieve sustained growth in both of the Company's businesses, and bolster its capacity to generate stable earnings, by promoting management policies based on Tomoe's 10th Medium-Term Management Plan.

To enhance and strengthen corporate governance and compliance we have established a Corporate Ethics Committee, and in the future this committee will take the lead in efforts to ensure management in full compliance with the letter and spirit of the law and improve corporate ethics. From the view point of corporate governance, we will maintain our efforts to firmly establish wide-ranging risk management centered on our Risk Management Committee, and to pursue the consolidation of our management environment from an IT perspective by undertaking construction of our next-generation mission-critical systems. Moreover, the Company will also work to strengthen its management organization to ensure business continuity, as a measure against the risk of occurrence of a major natural disaster like the Great East Japan Earthquake.

3. Consolidated Financial Statements

(1) Balance Sheets

(Thousands of Yen)

	Year Ended October 31, 2013	Year Ended October 31, 2014
Assets		
Current Assets		
Cash and Deposits	7,171,846	5,661,622
Notes and Accounts Receivable-Trade	12,639,632	14,321,437
Merchandise and Finished Goods	3,231,590	2,834,556
Work in Process	888,624	1,193,440
Raw Materials and Supplies	988,780	772,969
Deferred Tax Assets	405,172	579,233
Others	249,739	225,244
Allowance for Doubtful Accounts	-7,053	-5,251
Total Current Assets	25,568,332	25,583,252
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	2,434,925	2,742,339
Accumulated Depreciation	-1,479,133	-1,533,884
Buildings and Structures, Net	955,791	1,208,455
Machinery, Equipment and Vehicles	3,867,792	4,045,863
Accumulated Depreciation	-3,136,674	-3,346,731
Machinery, Equipment and Vehicles, Net	731,117	699,131
Land	920,536	930,711
Lease Assets		
Accumulated Depreciation	-9,538	-
Lease Assets, Net	328	-
Construction in progress	2,583,008	2,581,210
Others	1,035,492	1,102,854
Accumulated Depreciation	-959,869	-977,538
Others, Net	75,623	125,316
Total Property, Plant and Equipment	5,266,406	5,544,824
Intangible Assets		
511,391		451,969
Investments and Other Assets		
Investment Securities	1,126,177	1,255,543
Guarantee Deposits	251,735	243,293
Prepaid Pension Expense	676,931	-
Net Defined Benefit Assets	-	596,943
Deferred Tax Assets	23,456	36,616
Others	94,736	128,527
Allowance for Doubtful Accounts	-41,232	-22,995
Total Investments and Other Assets	2,131,805	2,237,928
Total Noncurrent Assets	7,909,602	8,234,723
Total Assets	33,477,935	33,817,976

(Thousands of Yen)

	Year Ended October 31, 2013	Year Ended October 31, 2014
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	6,096,703	5,970,933
Short-Term Loans Payable	731,535	-
Lease Obligations	775	-
Accounts Payable-Others	614,544	535,396
Income Taxes Payable	32,292	543,046
Advances Received	77,347	431,020
Provision for Bonuses	751,650	731,676
Provision for Directors' Bonuses	35,713	36,900
Allowance for Product Warranty	180,198	223,618
Others	278,980	305,463
Total Current Liabilities	8,799,742	8,778,056
Noncurrent Liabilities		
Long-Term Loans Payable	43,668	-
Provision for Retirement Benefits	47,538	-
Provision for Directors' Retirement Benefits	18,680	18,680
Net Defined Benefit Liabilities	-	48,646
Deferred Tax Liabilities	992,832	1,028,769
Total Noncurrent Liabilities	1,102,719	1,096,096
Total Liabilities	9,902,461	9,874,153
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	20,838,441	21,267,920
Treasury Stock	-363,462	-363,591
Total Shareholders' Equity	23,019,599	23,448,949
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	211,320	305,484
Deferred Gains or Losses on Hedges	578	1,272
Foreign Currency Translation Adjustment	121,844	311,609
Total Adjustment on Net Defined Benefit	-	-123,493
Total Accumulated Other Comprehensive Income	333,743	494,873
Minority Interests	222,130	-
Total Net Assets	23,575,473	23,943,822
Total Liabilities and Net Assets	33,477,935	33,817,976

(2) Consolidated Statements of Income

(Thousands of Yen)

	Year Ended October 31, 2013	Year Ended October 31, 2014
Net Sales	38,176,654	40,714,627
Cost of Sales	30,498,986	33,075,863
Gross Profit	7,677,668	7,638,764
Selling, General and Administrative Expenses	6,161,160	6,365,315
Operating Income	1,516,507	1,273,448
Non-Operating Income		
Interest income	18,952	20,369
Dividends Income	19,075	122,927
Rent Income	9,584	9,100
Foreign Exchange Gains	98,091	178,251
Others	59,691	54,854
Total Non-Operating Income	205,394	385,503
Non-Operating Expenses		
Interest Expenses	13,314	6,639
Loss on Sales of Notes Payable	68	-
Commission Paid	9,500	9,475
Sales Discount	6,489	5,457
Others	12,066	8,025
Total Non-Operating Expenses	41,439	29,597
Ordinary Income	1,680,463	1,629,354
Extraordinary Income		
Gain on Sales of Noncurrent Assets	-	3,784
Gain on Sales of Investment Securities	19,218	13,791
Gain on Negative Goodwill	-	145,132
Total Extraordinary Income	19,218	162,708
Extraordinary Losses		
Loss on Sales of Noncurrent Assets	-	2,034
Loss on Retirement of Noncurrent Assets	11,180	7,220
Loss on Impairment	186,005	-
Total Extraordinary Losses	197,186	9,255
Income before Income Taxes and Minority Interests	1,502,495	1,782,807
Income Taxes-Current	485,344	820,640
Income Taxes-Deferred	254,853	-132,776
Total Income Taxes	740,198	687,863
Income before Minority Interests	762,297	1,094,944
Minority Interests Income	-78,785	-8,089
Net Income	841,082	1,103,033

Consolidated Statements of Comprehensive Income

(Thousands of Yen)

	Year Ended October 31, 2013	Year Ended October 31, 2014
Income before Minority Interests	762,297	1,094,944
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	188,147	94,164
Deferred Gains or Losses on Hedges	53	693
Foreign Currency Translation Adjustment	489,269	200,751
Total Other Comprehensive Income	677,469	295,608
Comprehensive Income	1,439,767	1,390,552
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	1,444,367	1,387,656
Comprehensive Income attributable to Minority Interests	-4,600	2,896

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous Consolidated Fiscal Year (Year Ended October 31, 2013)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	20,396,505	-363,393	22,577,731
Changes during This Fiscal Year					
Cash Dividend Paid			-399,146		-399,146
Net Income			841,082		841,082
Issued Shares Reacquired				-68	-68
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	—	—	441,936	-68	441,867
Surplus during This Fiscal Year	1,061,210	1,483,410	20,838,441	-363,462	23,019,599

	Accumulated Other Comprehensive Income					Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Revaluation & Translation Adjustments		
Surplus during Previous Fiscal Year	23,172	525	-293,239	—	-269,541	226,731	22,534,921
Changes during This Fiscal Year							
Cash Dividend Paid							-399,146
Net Income							841,082
Issued Shares Reacquired							-68
Total (Net) Amount Changed (Except Shareholders' Equity)	188,147	53	415,084	—	603,284	-4,600	598,684
Total Amount Changed	188,147	53	415,084	—	603,284	-4,600	1,040,552
Surplus during This Fiscal Year	211,320	578	121,844	—	333,743	222,130	23,575,473

Current Consolidated Fiscal Year (Year Ended October 31, 2014)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	20,838,441	-363,462	23,019,599
Changes during This Fiscal Year					
Cash Dividend Paid			-673,554		-673,554
Net Income			1,103,033		1,103,033
Issued Shares Reacquired				-128	-128
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	—	—	429,479	-128	429,350
Surplus during This Fiscal Year	1,061,210	1,483,410	21,267,920	-363,591	23,448,949

	Accumulated Other Comprehensive Income					Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Revaluation & Translation Adjustments		
Surplus during Previous Fiscal Year	211,320	578	121,844	—	333,743	222,130	23,575,473
Changes during This Fiscal Year							
Cash Dividend Paid							-673,554
Net Income							1,103,033
Issued Shares Reacquired							-128
Total (Net) Amount Changed (Except Shareholders' Equity)	94,164	693	189,765	-123,493	161,129	-222,130	-61,001
Total Amount Changed	94,164	693	189,765	-123,493	161,129	-222,130	368,349
Surplus during This Fiscal Year	305,484	1,272	311,609	-123,493	494,873	—	23,943,822

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Year Ended October 31, 2013	Year Ended October 31, 2014
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes and Minority Interests	1,502,495	1,782,807
Depreciation and Amortization	397,696	425,118
Increase (Decrease) in Provision for Bonuses	(329,666)	(22,635)
Increase (Decrease) in Provision for Directors' Bonuses	(34,717)	1,187
Increase (Decrease) in Allowance for Product Warranty	(14,165)	43,420
Increase (Decrease) in Provision for Retirement Benefits	7,615	-
Increase (Decrease) in Net Defined Benefit Liability	-	493
Increase (Decrease) in Prepaid Pension Expense	(243,012)	-
Decrease (Increase) in Net Defined Benefit Asset	-	(111,891)
Increase (Decrease) in Provision for Directors' Retirement Benefits	(10,920)	-
Increase (Decrease) in Allowance for Doubtful Accounts	(9,730)	(20,038)
Interests and Dividends Income	(38,027)	(143,297)
Interest Expenses	13,314	6,639
Foreign Exchange Losses (Gains)	(65,278)	(48,807)
Loss (Gain) on Sales of Investment Securities	(19,218)	(13,791)
Gain (Loss) on Negative Goodwill	-	(145,132)
Loss on Impairment	186,005	-
Loss (Gain) on Sales of Noncurrent Assets	-	(1,749)
Loss on Retirement of Noncurrent Assets	11,180	7,220
Decrease (Increase) in Notes and Accounts Receivable-Trade	828,347	(1,669,136)
Decrease (Increase) in Inventories	362,893	333,587
Increase (Decrease) in Notes and Accounts Payable-Trade	(1,099,851)	(136,860)
Increase (Decrease) in Accounts Payable-Others	17,748	(20,552)
Increase (Decrease) in Advances Received	366	352,296
Increase (Decrease) in Accrued Consumption Taxes	112,889	41,079
Others, Net	7,468	(15,706)
Sub total	1,583,430	644,253
Interests and Dividends Income Received	34,988	146,785
Interest Expenses Paid	(13,988)	(7,055)
Income Taxes Paid	(1,105,807)	(258,343)
Net Cash Provided by (Used in) Operating Activities	498,622	525,638

(Thousands of Yen)

	Year Ended October 31, 2013	Year Ended October 31, 2014
Net Cash Provided by (Used in) Investment Activities		
Disbursement to Time Deposits	(7,400,000)	(4,300,000)
Proceeds from Withdrawal of Time Deposits	7,400,000	4,300,000
Purchase of Property, Plant and Equipment	(408,202)	(564,310)
Proceeds from Sales of Property, Plant and Equipment	3,294	8,727
Purchase of Intangible Fixed Assets	(251,694)	(126,478)
Purchase of Investment Securities	(247,497)	(15,901)
Proceeds from Sales of Investment Securities	25,603	44,019
Payments of Loans Receivable	(3,870)	(6,386)
Collection of Loans Receivable	2,844	2,007
Guarantee Deposits (Increase)	126,122	2,384
Others, Net	(2,528)	(54,234)
Net Cash Provided by (Used in) Investment Activities	(755,927)	(710,172)
Net Cash Provided by (Used in) Financing Activities		
Net Increase (Decrease) in Short-Term Loans Payable	34,110	(751,299)
Repayment of Long-Term Loans	(9,063)	(56,534)
Repayments of Lease Obligations	(7,216)	(775)
Purchase of Stock from Minority Shareholders	-	(79,894)
Purchase of Treasury Stock	(68)	(128)
Cash Dividends Paid	(399,146)	(673,554)
Net Cash Provided by (Used in) Financing Activities	(381,384)	(1,562,188)
Cash and Cash Equivalents		
Effect of Exchange Rate Change on Cash and Cash Equivalents	347,361	236,498
Net Increase (Decrease) in Cash and Cash Equivalents	(291,328)	(1,510,223)
Cash and Cash Equivalents at Beginning of Period	7,463,174	7,171,846
Cash and Cash Equivalents at End of This Fiscal Year	7,171,846	5,661,622

(5) Notes for Consolidated Financial Statements

(Notes for premise of going concern)

There are no pertinent matters to report.

(Changes in accounting principles)

Beginning from the end of the consolidated accounting period, the Company will apply the *Accounting Standard for Retirement Benefits* (Accounting Standards Board of Japan (ASBJ) Statement No. 26, referred to below as “the Retirement Benefit Accounting Standard”) and the *Implementation Guidance on Accounting Standard for Retirement Benefits* (ASBJ Guidance No. 25, referred to below as “the Retirement Benefits Implementation Guidance”) (excluding, however, the provisions described in the text of paragraph 35 of the Retirement Benefit Accounting Standard and the text of paragraph 67 of the Retirement Benefits Implementation Guidance) and has changed its reporting method to record the amount after deduction of pension asset value from the projected benefit obligation as either a net defined benefit asset or liability, and has recorded the unrecognized actuarial difference and unrecognized past service costs in net defined benefit asset or liability. Furthermore, beginning from the end of the consolidated accounting period, the prepaid pension expense, which traditionally was included in “other” under investments and other assets, will be recorded in noncurrent assets under investments and other assets as a net defined benefit asset. In the consolidated balance sheet for the prior consolidated accounting period, the amount of 771,667,000 yen for “other” under investments and other assets has been restated into prepaid pension expense of 676,931,000 yen and “other” of 94,736,000 yen.

For its application of the Retirement Benefit Accountings Standard, the Company will revise the re-measurements of defined benefit plans reported under accumulated other comprehensive income at the end of the consolidated accounting period for the effect of this change, in accordance with the transitional accounting treatment set forth in paragraph 37 of the Retirement Benefit Accounting Standard.

As a result, at the end of the consolidated accounting period the Company recorded a net defined benefit asset of 596,943,000 yen and a net defined benefit liability of 48,646,000 yen. The amount for accumulated other comprehensive income was reduced by 123,493,000 yen.

Net assets per share have been decreased by 12.38 yen.

(Segment information)

1. Summary of reporting segments

TOMOE Engineering Co., Ltd. has established two operational headquarters. These operational headquarters are developing their business activities by planning comprehensive domestic and overseas strategies for the respective manufactured and commercial products they handle.

We therefore have assumed these two businesses, referred to as the "Machinery & Equipment Business" and the "Chemical Products Business", as our company reporting segments. The Machinery & Equipment Business mainly manufactures and sells centrifuge decanters, and the Chemical Products Business mainly manufactures, stocks and sells chemical industry products.

The Company's reporting segments are those units of the Company's for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

2. Method for calculating amounts of net sales, income or loss, assets, liabilities and other items for each reporting segment

The accounting methods for reporting segments are identical to the accounting methods adopted for preparation of the consolidated financial statements.

3. Information concerning the amount of net sales, income or loss, assets, liabilities and other items for each reporting segment

Previous Consolidated Fiscal Year (Year Ended October 31, 2013)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	9,316,923	28,859,730	38,176,654	0	38,176,654
Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	9,316,923	28,859,730	38,176,654	0	38,176,654
Segment Income	527,594	988,913	1,516,507	0	1,516,507
Segment Assets	8,456,726	14,209,246	22,665,973	10,811,962	33,477,935
Other Items					
Depreciation & Amortization Increase in Property, Plant & Equipment and Intangible Assets	262,384	135,311	397,696	0	397,696
	577,087	149,308	726,396	0	726,396

(Notes)

1. The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each reporting segment, and is mainly idle operating funds (cash on hand and in banks), long-term investments (investment securities) and assets acquired in relation to a district redevelopment project.
2. The total amount for segment income agrees with the operating income reported on the Consolidated Statement of Income.

Current Consolidated Fiscal Year (Year Ended October 31, 2014)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	10,204,351	30,510,276	40,714,627	0	40,714,627
Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	10,204,351	30,510,276	40,714,627	0	40,714,627
Segment Income	157,852	1,115,596	1,273,448	0	1,273,448
Segment Assets	9,141,508	15,178,953	24,320,461	9,497,514	33,817,976
Other Items					
Depreciation & Amortization Increase in Property, Plant & Equipment and Intangible Assets	331,764	93,353	425,118	0	425,118
	499,154	66,382	565,536	66,4100	631,946

(Notes)

1. The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each reporting segment, and is mainly idle operating funds (cash on hand and in banks), long-term investments (investment securities) and assets acquired in relation to a district redevelopment project.

2. The total amount for segment income agrees with the operating income reported on the Consolidated Statement of Income.

(Related information)

Previous Consolidated Fiscal Year (Year Ended October 31, 2013)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Regional Information

1. Net Sales

(Thousands of Yen)

Japan	Asia	Others	Total
31,554,864	5,906,489	715,300	38,176,654

(Note) Net sales are classified by country or region based on the customer's location.

2. Property, Plant and Equipment (Thousands of Yen)

Japan	Asia	Others	Total
5,054,309	189,405	22,691	5,266,406

3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

Current Consolidated Fiscal Year (Year Ended October 31, 2014)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Regional Information

1. Net Sales (Thousands of Yen)

Japan	Asia	Others	Total
33,239,806	6,263,736	1,211,084	40,714,627

(Note) Net sales are classified by country or region based on the customer's location.

2. Property, Plant and Equipment (Thousands of Yen)

Japan	Asia	Others	Total
5,033,485	192,041	319,298	5,544,824

3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

(Information concerning impairment losses on fixed assets by reporting segment)

Previous Consolidated Fiscal Year (Year Ended October 31, 2013)

(Thousands of Yen)

	Reported segments			Elimination at the Company	Total
	Machinery & Equipment Business	Chemical Products Business	Subtotal		
Impairment loss	5,423	180,582	186,005	0	186,005

Current Consolidated Fiscal Year (Year Ended October 31, 2014)

There are no pertinent matters to report.

(Information concerning amortization of goodwill and unamortized balances by reporting segment)

There are no pertinent matters to report.

(Information concerning gain on negative goodwill by reporting segment)

Previous Consolidated Fiscal Year (Year Ended October 31, 2013)

There are no pertinent matters to report.

Current Consolidated Fiscal Year (Year Ended October 31, 2014)

The Tomoe Engineering Group had a gain on negative goodwill in the Chemical Products Business in conjunction with the acquisition of the stock of Interstella Co., Ltd., a consolidated subsidiary of Tomoe Engineering, which was owned by another company. The reported amount of the gain on negative goodwill as a result of this acquisition was 145,132,000 yen.

(Per Share Information)

	Year Ended October 31, 2013	Year Ended October 31, 2014
Net Asset per Share	¥2,340. ³⁴	¥2,399. ⁵³
Net Income per Share	¥84. ²⁹	¥110. ⁵⁴

(Note 1) Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.

(Note 2) Calculation basis for net income per share are as follows:

	Year Ended October 31, 2013	Year Ended October 31, 2014
Net Income for this Fiscal Year (thousands of yen)	841,082	1,103,033
Net Income for Common Stock (thousands of yen)	841,082	1,103,033
Average number of Common Stock during the Fiscal Year	9,978,612	9,978,566

(Note3) Calculation basis for net asset per share are as follows:

	Year Ended October 31, 2013	Year Ended October 31, 2014
Total for Net Asset in Consolidated Balance Sheet (thousands of yen)	23,575,473	23,943,822
Amount deducted from the total for Net Assets (thousands of yen)	222,130	-
(Minority Interests) (thousands of yen)	(222,130)	(-)
Net Asset for Common Stock (thousands of yen)	23,353,342	23,943,822
Number of Common Stock used for calculation of Net Assets per Share (share)	9,978,608	9,978,533

(Significant subsequent events)

None

6. Other Notes

(1) Appointment of Officers

1) Appointment of Representative Directors (As of January 29, 2015 Announced on November 5, 2014)

1. New candidate for President

President Hitoshi Yamamoto

(Currently Senior Managing Director and General Manager, Chemical Products Div.)

2. President scheduled to retire

President Noboru Shiono

(planned appointment to Counselor of Tomoe Engineering Co., Ltd.)

2) Other Directors (scheduled as of January 29, 2015)

1. New candidates for Director

Director and Deputy General Manager, Chemical Products Div. and In charge of Advanced Materials Dept. and Electronic Materials Dept., serving concurrently as General Manager, Chemical Products Div.

Akiyoshi Shinoda

(Currently Manager, Fine Chemicals Dept., Chemical Products Div.)

Director and Deputy General Manager, Machinery & Equipment Div. and Serving concurrently as Manager, Environmental Equipment Sales Dept.

Masahiko Nakamura

(Currently Manager, Environmental Equipment Sales Dept., Machinery & Equipment Div.)

Director (in charge of Management Planning Dept., serving concurrently as General Manager, Accounting Div.)

Toshiaki Yagura

(currently General Manager, Accounting Div.)

Director (Outside Director) Yutaka Imai

(Currently licensed tax accountant)

2. Directors scheduled to retire

Director and Deputy General Manager, Machinery & Equipment Div.

(in charge of Environmental Equipment Sales Dept.)

Akira Okada

(planned appointment to Advisor of Tomoe Engineering Co., Ltd.)

Director (in charge of Accounting Div. and Management Planning Dept.)

Mitsuo Matsumoto

(planned appointment to Corporate Auditor of Tomoe Engineering Co., Ltd.)

3. New candidate for Corporate Auditor

Senior Head Auditor (in charge of Accounting Div. and Management Planning Dept.)

Mitsuo Matsumoto

(currently Auditor)

4. Corporate Auditor scheduled to retire

Senior Head Auditor:

Kenichi Ito

(planned appointment to Advisor of Tomoe Engineering Co., Ltd.)

5. Planned promotions to Director

Senior Managing Director and General Manager, Chemical Products Div.:

Tetsuo Yamada

Currently Director and Deputy General Manager, Chemical Products Div. (in charge of Advanced Materials Dept., Electronic Materials Dept. and Fine Chemicals Dept.)

Managing Director

(in charge of General Affairs Div. and Business Coordination Div.)

Masayoshi Fukasawa

Currently Director (in charge of General Affairs Div. and Business Coordination Div.)