

Financial Results for the First Quarter Ended January 31, 2023 [Japan GAAP] (Consolidated)

Date: March 14, 2023
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
 (URL: http://www.tomo-e.co.jp/index_e.html)
 Stock exchange listing: 1st Section, Tokyo Stock Exchange
 Head Office: 5-15, Kitashinagawa 5-chome, Shinagawa-ku, Tokyo, Japan
 President: Akitomo Tamai
 Investor Relations Contacts: Kazuyuki Kitta, Director & Executive Officer, Accounting & Cooperate Planning Dept.
 Tel: (03) 3442-5127

Date to report Quarterly Consolidated Financial Statement: March 16, 2023

Date for Dividend Payment: Not applicable to this financial quarter

Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Not prepared

Briefing Session for Quarterly Operating Results: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Data for the First Quarter Ended January 31, 2023

(1) Results of Operation (Consolidated) (Percent: Change from the same quarter of the previous year)

	Net Sales		Operating Income		Ordinary Income	
	Millions of Yen	Percent	Millions of Yen	Percent	Millions of Yen	Percent
Quarter Ended January 31, 2023	11,128	11.7	558	5.7	550	-1.6
Quarter Ended January 31, 2022	9,960	-	528	-18.6	559	-17.1

	Net Income Attributable to Owners of the Parent		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended January 31, 2023	390	-43.4	39. ¹⁵	-
Quarter Ended January 31, 2022	689	38.6	69. ¹⁴	-

(Note) Comprehensive income

First Quarter ended January 31, 2023: 103 million yen (-85.3%) First Quarter ended January 31, 2022: 708 million yen (20.4%)

(Note) We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of the consolidated first quarter of the previous fiscal year ending October 31, 2022. Because a significant impact on net sales arises, the year-on-year percentage change in net sales is not shown.

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended January 31, 2023	44,630	34,212	76.7
Year Ended October 31, 2022	45,742	34,387	75.2

(Reference) Net assets

First Quarter ended January 31, 2023: 34,212 million yen Year Ended October 31, 2022: 34,387 million yen

2. Dividend Status

(Record Date)	Annual Dividend (Yen)				
	First Quarter	Interim Term	Third Quarter	End of Fiscal Year	Annual
Year Ended October 31, 2022	-	25. ⁰⁰	-	28. ⁰⁰	53. ⁰⁰
Year Ending October 31, 2023	-				
Year Ending October 31, 2023 (Prospect)		28. ⁰⁰	-	28. ⁰⁰	56. ⁰⁰

(Note) Revisions since the most recently released dividend projection: None

3. Forecast for Earnings for the Year Ending October 31, 2023 (Consolidated)

(Percent change from the previous Full Business Year)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Full Business Year	47,380	3.9	2,940	-10.9	2,970	-13.2

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	2,040	-23.3	204. ⁴⁴

(Note) Revisions since the most recently released earnings forecast: None

Notes

(1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes in the scope of consolidation): None

Number of new subsidiaries: __ (Company names):

Number of eliminated subsidiaries: __ (Company names):

(2) Adoption of the specific accounting method to create quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and retrospective restatements.

1) Changes in accounting policies due to revision of accounting standard: Yes

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

Please refer to the Attachments for the details on page 8, (3) [Notes on Quarterly Consolidated Financial Statements] of 2. [Quarterly Consolidated Financial Statements and Notes.

(4) Number of outstanding shares (Common stock)

1) Number of outstanding shares as of quarter-end and year-end (including treasury stocks)

At January 31, 2023: 10,533,200 shares At October 31, 2022: 10,533,200 shares

2) Number of treasury stocks as of quarter-end and year-end

At January 31, 2023: 554,940 shares At October 31, 2022: 554,940 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2023: 9,978,260 shares At January 31, 2022: 9,978,289 shares

*The quarterly earnings report is exempt from the quarterly review by certified public accountant or audit firm.

*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.

Please refer to the Attachments on page 3, (3) [Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast.

Table of Contents (Supporting Data)

1. Qualitative Information on Quarterly Consolidated Operating Results.....	2
(1) Analysis of Operating Results.....	2
(2) Analysis of Financial Condition.....	3
(3) Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast.....	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income & Quarterly Consolidated Statement of Comprehensive Income.....	6
Quarterly Consolidated Statement of Income.....	6
Quarterly Consolidated Statement of Comprehensive Income.....	7
(3) Notes on Quarterly Consolidated Financial Statements.....	8
(Note for premise of going concern)	8
(Notes for significant changes in shareholder's equity)	8
(Changes in accounting policies)	8
(Segment information)	8

1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Analysis of Operating Results

During the first quarter of the current consolidated fiscal year, although capital investment showed little growth, Japan's economy recorded positive growth against a backdrop of growth in personal consumption and exports. On the other hand, overseas, although the U.S. economy remained strong, the growth rates in the Chinese and European economies slowed.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated first quarter were 11,128 million yen, increased by 11.7% over the same period of the previous year, reflecting increased net sales in the Chemical Products Business, despite of lower net sales in the Machinery & Equipment Business. From an earnings aspect, operating income was 558 million yen, 5.7% up from the same period of the previous year because of higher income in the Chemical Products Business. Ordinary income came to 550 million yen, 1.6% down over the same period of a year earlier because of increased non-operating expenses, and net income attributable to owners of the parent was 390 million yen, 43.4% down from the same period of a year earlier reflecting no appropriation of profit on sales of noncurrent assets that was appropriated in the previous fiscal year.

Operating results by respective segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated year-to-date net sales for the first quarter were 1,815 million yen, 5.6% down from the same period of a year earlier. This reflected slower growth in net sales of machinery, equipment and construction works for domestic public sector demand, and components and repair services, despite growth in net sales of machinery for domestic private sector demand and overseas markets.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	January, 2022	173	218	466	859
	January, 2023	19	150	418	588
	Difference	-154	-67	-48	-270
Private sector	January, 2022	17	17	421	457
	January, 2023	132	0	362	494
	Difference	114	-17	-58	37
Overseas markets	January, 2022	150	0	457	607
	January, 2023	285	0	446	732
	Difference	135	0	-10	125
TOTAL	January, 2022	341	236	1,345	1,923
	January, 2023	436	150	1,227	1,815
	Difference	95	-85	-117	-107

With respect to earnings, operating income turned to a loss of 301 million yen. This mainly reflected slower growth in net sales of machinery, equipment and construction works for domestic public sector demand, and components and repair services for all fields.

(Chemical Products Business)

In the Chemical Products Business, consolidated year-to-date net sales for the first quarter were 9,312 million yen, 15.0% up from the same period of a year earlier. This mainly reflected growth in net sales of materials for resin and products in the synthetic resin sector, materials mainly for building and motor vehicles in the mineral products sector, materials mainly for paint and ink applications in the chemical products sector, and materials for semiconductor manufacturing devices in advanced materials sector and in the electronic materials sector.

(Millions of Yen)

	January, 2022	January, 2023	Difference
Synthetic resin sector	1,159	1,373	214
Industrial materials sector	1,494	1,437	-57
Mineral products sector	1,193	1,462	269
Chemical products sector	1,938	2,123	184
Advanced materials sector	919	1,407	487
Electronic materials sector	1,246	1,415	168
Other products (foreign liquor)	85	93	8
Total	8,037	9,312	1,275

With respect to earnings during the period, operating income was 860 million yen, 52.1% up from the same period of a year earlier, reflecting strong sales.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 44,630 million yen, down 2.4% or 1,111 million yen from the end of the previous consolidated fiscal year. This mainly reflected a decrease in cash and deposits, despite increases in electronically recorded monetary claims and work in process.

Liabilities were 10,418 million yen, down 8.2% or 935 million yen from the end of the previous consolidated fiscal year, mainly because of decreases in provision for bonuses and income tax payable, despite higher contract liabilities.

Net assets stood at 34,212 million yen, 175 million yen or 0.5% down from the end of the previous consolidated fiscal year. This mainly reflected a decrease in foreign currency translation adjustment, despite an increase in retained earnings.

As a result of the above changes, the equity ratio at the end of the consolidated first quarter under review increased by 1.5 point compared with the end of the previous consolidated fiscal year to 76.7%.

(3) Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast

There are no revisions to the consolidated earnings forecast figures for the fiscal year ending in October 31, 2023 that were announced in the "Financial Results for the Fiscal Year Ended October 31, 2022 [Japan GAAP] (Consolidated)" released on December 14, 2022.

2. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheet (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October 31, 2022)	End of First Quarter (January 31, 2023)
Current Assets		
Cash and Deposits	10,732,583	8,413,445
Notes, Accounts Receivable-Trade and Contract Assets	13,297,252	12,604,590
Electronically Recorded Monetary Claims	3,466,717	4,252,811
Merchandise and Finished Goods	5,839,927	6,036,677
Work in Process	1,282,752	1,868,829
Raw Materials and Supplies	1,120,659	1,422,307
Others	323,406	363,767
Allowance for Doubtful Accounts	-83,122	-76,329
Total Current Assets	35,980,178	34,886,099
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	5,144,878	5,111,273
Accumulated Depreciation	-2,209,570	-2,227,880
Buildings and Structures, Net	2,935,308	2,883,393
Machinery, Equipment and Vehicles	4,298,347	4,232,124
Accumulated Depreciation	-3,820,079	-3,756,238
Machinery, Equipment and Vehicles, Net	478,268	475,885
Land	2,304,010	2,303,220
Construction in progress	17,347	—
Others	1,139,081	1,149,501
Accumulated Depreciation	-1,049,820	-1,057,234
Others, Net	89,261	92,266
Total Property, Plant and Equipment	5,824,196	5,754,765
Intangible Assets	86,835	96,888
Investments and Other Assets		
Investment Securities	1,306,889	1,342,931
Guarantee Deposits	563,224	558,971
Net Defined Benefit Assets	1,908,244	1,921,827
Deferred Tax Assets	6,291	312
Others	88,304	90,935
Allowance for Doubtful Accounts	-21,892	-21,892
Total Investments and Other Assets	3,851,061	3,893,086
Total Noncurrent Assets	9,762,093	9,744,741
Total Assets	45,742,272	44,630,840

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2022)	End of First Quarter (January 31, 2023)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	4,582,839	4,567,743
Electronically Recorded Monetary Debt	2,238,380	2,355,864
Accounts Payable-Others	744,644	748,990
Income Taxes Payable	769,585	30,874
Contract Liabilities	291,848	793,987
Provision for Bonuses	1,507,631	543,893
Provision for Directors' Bonuses	103,889	24,932
Allowance for Product Warranty	200,287	224,610
Others	236,306	313,707
Total Current Liabilities	10,675,412	9,604,605
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	-
Net Defined Benefit Liabilities	74,120	76,482
Deferred Tax Liabilities	599,474	737,382
Total Noncurrent Liabilities	679,055	813,864
Total Liabilities	11,354,468	10,418,470
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	30,882,276	30,993,500
Treasury Stock	-364,148	-364,148
Total Shareholders' Equity	33,062,747	33,173,972
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	362,745	388,344
Deferred Gains or Losses on Hedges	11,637	-18,000
Foreign Currency Translation Adjustment	801,149	527,189
Total Adjustment on Net Defined Benefit	149,523	140,865
Total Accumulated Other Comprehensive Income	1,325,056	1,038,398
Total Net Assets	34,387,804	34,212,370
Total Liabilities and Net Assets	45,742,272	44,630,840

(2) Quarterly Consolidated Statement of Income & Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2022	First Quarter Ended January 31, 2023
Net Sales	9,960,706	11,128,301
Cost of Sales	7,553,873	8,552,576
Gross Profit	2,406,832	2,575,724
Selling, General and Administrative Expenses	1,878,013	2,017,012
Operating Income	528,819	558,712
Non-Operating Income		
Interest Income	383	3,443
Dividends Income	14,191	16,983
Rent Income	1,851	2,007
Foreign Exchange Gains	2,623	—
Others	13,498	7,800
Total Non-Operating Income	32,549	30,235
Non-Operating Expenses		
Interest Expenses	536	213
Commission Paid	756	756
Sales Discount	—	36,834
Others	541	493
Total Non-Operating Expenses	1,834	38,297
Ordinary Income	559,534	550,650
Extraordinary Profits		
Profit on Sales of Noncurrent Assets	456,447	—
Profit on Sales of Investment Securities	—	242
Total Extraordinary Profits	456,447	242
Income before Income Taxes and Minority Interests	1,015,981	550,893
Income Taxes-Current	17,823	9,628
Income Taxes-Deferred	308,263	150,649
Total Income Taxes	326,086	160,277
Net Income	689,895	390,615
Net Income Attributable to Owners of the Parent	689,895	390,615

Quarterly Consolidated Statement of Comprehensive Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2022	First Quarter Ended January 31, 2023
Net Income	689,895	390,615
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-54,730	25,598
Deferred Gains or Losses (-) on Hedges	-5,086	-29,638
Foreign Currency Translation Adjustment	89,916	-273,960
Net Defined Benefit	-11,188	-8,657
Total Other Comprehensive Income	18,910	-286,658
Comprehensive Income	708,805	103,957
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	708,805	103,957

(3) Notes on Quarterly Consolidated Financial Statements

(Note for premise of going concern)

There are no pertinent matters to report.

(Notes for significant changes in shareholder's equity)

There are no pertinent matters to report.

(Changes in accounting policies)

(Application of Accounting Standard Application Guidelines for Fair Value Measurement)

We have applied Accounting Standard Application Guidelines for Fair Value Measurement (ASBJ Statement No. 31; hereinafter referred to as Accounting Standard Application Guidelines for Fair Value Measurement) from the beginning of the consolidated first quarter under review, and in compliance with the transitional treatment prescribed in Article 27-2 of Accounting Standard Application Guidelines for Fair Value Measurement, we will in the future apply the new accounting policy prescribed by Accounting Standard Application Guidelines for Fair Value Measurement. Furthermore, there is no effect on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

First Quarter Ended January 31, 2022

Information Pertaining to the Amount of Net Sales, Profit or Loss of Each Reporting Segment

(Thousands of Yen)

	Reported Segment			Grand Total
	Machinery & Equipment Business	Chemical Products Business	Total	
Net Sales				
Net Sales to Unaffiliated Customers	1,923,534	8,037,171	9,960,706	9,960,706
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,923,534	8,037,171	9,960,706	9,960,706
Segment Profit or Loss (-)	-36,694	565,514	528,819	528,819

(Note) The total amount of segment profit is identical to the operating income reported on the Quarterly Consolidated Statements of Income.

First Quarter Ended January 31, 2023

Information Pertaining to the Amount of Net Sales, Profit or Loss of Each Reporting Segment

(Thousands of Yen)

	Reported Segment			Grand Total
	Machinery & Equipment Business	Chemical Products Business	Total	
Net Sales				
Net Sales to Unaffiliated Customers	1,815,614	9,312,686	11,128,301	11,128,301
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,815,614	9,312,686	11,128,301	11,128,301
Segment Profit or Loss (-)	-301,544	860,257	558,712	558,712

(Note) The total amount of segment profit is identical to the operating income reported on the Quarterly Consolidated Statements of Income.