

Consolidated Semiannual Results 2004

(Unaudited)

Tomoe Engineering Co., Ltd. and Subsidiaries (Web Site: <http://www.tomo-e.co.jp>)

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Financial Highlights for the First Half Ended April 30, 2004 (from November 1, 2003 to April 30, 2004)

1. Results of Operation

Six-month period ended Apr. 30	2004	2003	Millions of yen
			Year ended Oct. 31, 2003
Sales	21,424	21,025	40,628
Operating income	1,172	1,140	1,051
Recurring profit	1,220	1,153	1,000
Net income	636	718	623
Net income (loss) per share	¥63.⁷⁷	¥68.²²	¥57.⁶¹

Notes: (1) The equity in net earnings of affiliated companies for the 6-month period ended April 30, 2004 and 2003 were none.

(2) An average number of outstanding shares (consolidated) during the 6 month period ended April 30, 2004 and the year ended October 31, 2003 were 9,979,891 and 10,453,498 respectively.

(3) There is no change in accounting methods.

2. Assets and Shareholder's Equity

	Apr. 30, 2004	Apr. 30, 2003	Millions of yen
			Oct. 31, 2003
Assets (A)	25,412	26,231	23,983
Shareholder's equity (B)	13,111	12,982	12,556
Asset/equity ratio (B/A)	51.6%	49.5%	52.4%
Shareholder's equity per share	¥1,313. ⁷⁷	¥1,232. ⁹¹	¥1,256. ⁰³

Note: A number of outstanding shares (consolidated) at April 30, 2004 and October 31, 2003 were 9,979,744 and 9,979,969 respectively.

3. Cash Flows

Six-month period ended Apr. 30	2004	2003	Millions of yen
			Year ended Oct. 31, 2003
Net cash provided (used) by operating activities	217	(914)	49
Net cash provided (used) in investing activities	(99)	(244)	(403)
Net cash provided (used) by financing activities	(278)	649	(331)
Consolidated cash and cash equivalent (period-end)	1,596	1,975	1,770

4. Consolidation and Application of the Equity Method

Reportable subsidiaries, whose accounts were consolidated in the 6-month period ended April 30, 2004, are 5.

5. Prospects for the Year ending October 31, 2004

	Millions of yen
	The year ending October 31, 2004
Sales	45,080
Recurring profit	1,550
Net income	700

We expect that consolidated net income per share for the year ending October 31, 2004 will be ¥67.⁵¹.

Activities and Result

1. Outlook of the Six-month Period ended April 30, 2004

(1) Operating Highlights

For the six-month period ended April 30, 2004, Tomoe Engineering's consolidated net sales, its operating income and recurring profit increased 1.9%, 2.8% and 5.8% to ¥21,424 million, ¥1,172 million and ¥1,220 million respectively. However, net income dropped 11.4% to ¥636 million due to ¥136 million loss from liquidation of Shenzhen Stella Plastics.

Sales and operating income of **Machinery & Equipment Division** decreased 4.7% and 18.3% to ¥5,667 million and ¥605 million respectively. Sales of the municipal and industrial segments were stagnant owing to restraint on public investment and extension of capital investment, while sales in the overseas markets were steady.

Sales and operating income of **Chemical Products Division** grew 4.5% and 42.0% to ¥15,757 million and ¥566 million respectively in spite of a decline in sales of surface-mount IC packages in China. New market and products contributed to an increase of sales and income of the industrial material segment, and the booming semiconductor industry helped the sales growth of the electronic material segment. Sales of the advanced material segment also slightly increased.

(2) Financial Conditions

The Companies' asset/equity ratio (consolidated) as of April 30, 2004 declined 0.8% to 51.6%, compared with the ratio as of October 31, 2003.

Assets as of April 30, 2004 increased by ¥1,429 million (6.0%) from October 31, 2003: current assets grew by ¥1,711 million due to an increase in account receivables, while fixed assets declined by ¥282 million due to a decrease in investments and others.

Liabilities increased by ¥1,018 million (9.1%), as an increase in account payables surpassed a decrease in interest bearing liabilities.

Shareholder's equity increased by ¥554 million (4.4%) owing to growth of retained earnings and unrealized gains on marketable securities and investments.

Cash Flows

The Companies' consolidated cash position decreased 9.8% (¥173 million) to ¥1,596 million for the six-month period due to an increase in account receivables and acquisition of tangible fixed assets.

Operating activities provided net cash of ¥217 million due to increases in account receivables and inventories. Net cash used in investing activities was ¥99 million due to outflows for purchase of the machining center. Financing activities used net cash of ¥278 million for repayment of long-term loans.

2. Outlook for Fiscal 2004

We expect that Companies' total sales and recurring profit in Fiscal 2004 will increase 11.0% and 54.9% to ¥45,080 million and ¥1,550 million respectively. Net income will increase only 12.3% to ¥700 million due to a loss from liquidation of Shenzhen Stella Plastics.

Sales of **Machinery & Equipment Division** will increase slightly, since steady sales growth in foreign markets will surpass a slight decline in sales of municipal and industrial segments.

Also sales of **Chemical Products Division** will increase. Sales of the industrial and electronic material segments will be maintained at a satisfactory level, and the surface-mount packaging business will recover in the latter six-month period.

Consolidated Financial Statements

Balance Sheets

Assets	Thousands of yen		
	Apr. 30, 2004	Apr. 30, 2003	Oct. 31, 2003
Current assets			
Cash and deposits	1,696,424	2,075,552	1,870,047
Trade receivables	14,490,478	14,648,463	13,013,851
Inventories	3,384,011	3,396,383	3,040,145
Deferred tax assets	326,245	313,397	279,590
Other current assets	243,144	424,236	274,262
Allowance for doubtful receivables	(61,125)	(219,028)	(110,344)
Total current assets	20,079,179	20,639,005	18,367,551
Fixed assets			
Tangible fixed assets			
Buildings	2,106,826	2,104,851	2,100,498
Accumulated depreciation	(1,099,872)	(1,017,144)	(1,059,753)
Net	1,006,953	1,087,707	1,040,745
Machinery, equipment & vehicles	2,916,847	2,933,742	2,821,284
Accumulated depreciation	(2,027,018)	(2,125,898)	(1,987,099)
Net	889,828	807,843	834,184
Land	1,049,391	1,049,391	1,049,391
Other fixed assets	939,925	925,292	927,817
Accumulated depreciation	(817,784)	(794,305)	(795,784)
Net	122,141	130,987	132,032
Total tangible fixed assets	3,068,315	3,075,930	3,056,355
Intangible fixed assets	20,835	207,004	197,931
Investments and others			
Investments in securities	1,027,429	770,310	953,270
Guarantee deposits	537,045	568,823	553,922
Deferred tax assets	262,866	486,440	353,005
Financial derivatives	0	175,372	0
Financial derivative loss	168,287	0	234,568
Other investments	368,163	521,838	416,740
Allowance doubtful receivable	(119,665)	(213,565)	(149,905)
Total investment and others	2,244,126	2,309,218	2,361,602
Total fixed assets	5,333,277	5,592,154	5,615,889
Total assets	25,412,456	26,231,159	23,983,441

Liabilities and Shareholder's Equity	Apr. 30, 2004	Apr. 30, 2003	Oct. 31, 2003
Current liabilities			
Trade-payables	7,297,469	7,539,170	6,631,818
Short-term debt	1,599,310	3,097,879	2,475,470
Account payable-others	516,802	442,684	520,715
Accrued income tax	531,756	550,804	88,837
Advances from customers	350,410	71,872	96,681
Accrued employee's bonus	541,062	470,411	0
Other current liabilities	212,418	242,432	771,174
Total current liabilities	11,049,231	12,415,256	10,584,698
Long-term liabilities			
Long-term debt	739,541	41,032	25,291
Accrued pension and severance liabilities	39,846	190,570	142,900
Officer's retirement allowance	224,475	197,990	215,670
Financial derivative gains	0	175,372	0
Financial derivatives	168,287	0	234,568
Total long-term liabilities	1,172,150	604,965	618,430
Total liabilities	12,221,381	13,020,221	11,203,128
Minority interests	80,000	228,222	224,159
Shareholder's equity			
Common stock	1,061,210	1,061,210	1,061,210
Capital surplus	1,483,410	1,483,410	1,483,410
Retained earnings	10,886,838	10,496,296	10,401,120
Unrealized gains and losses on marketable securities and investments	129,231	24,280	80,087
Foreign currency translation adjustment	(87,713)	(80,579)	(107,962)
Total	13,472,977	12,984,617	12,917,865
Issued shares reacquired	(361,902)	(1,901)	(361,711)
Total shareholder's equity	13,111,074	12,982,715	12,556,153
Total	25,412,456	26,231,159	23,983,441

Statements of Consolidated Income

Six-month period ended Apr. 30	Thousands of yen		
	2004	2003	Year ended Oct. 31, 2003
Net sales	21,424,503	21,025,095	40,628,510
Cost of sales	17,461,208	17,218,514	34,086,550
Gross profit	3,963,295	3,806,581	6,541,960
Selling, general and administrative	2,790,948	2,666,206	5,490,824
Operating income	1,172,347	1,140,375	1,051,135
Other income			
Interests	4,325	6,295	8,461
Dividends	36,714	39,721	43,614
Rents	4,028	5,073	8,416
Foreign exchange gains	8,036	0	0
Sundry	25,592	28,650	55,760
Other income total	78,696	79,741	116,252
Other expenses			
Interests	21,851	28,653	56,961
Discounts on bills of exchange	664	622	1,255
Foreign exchange losses	0	29,387	80,839
Sundry	8,251	8,015	27,705
Other expense total	30,767	66,678	166,761
Recurring profit	1,220,276	1,153,438	1,000,626
Extraordinary gains			
Realized gains on marketable securities	15,001	140,400	141,288
Realized gains on property and equipment	0	0	1,014
Reversal of allowance for doubtful receivables	55,386	0	103,026
Extraordinary gains total	70,387	140,400	245,329
Extraordinary losses			
Unrealized losses on marketable securities	0	54,761	28,000
Written-off losses on property and equipment	880	14,222	32,149
Realized losses on property and equipment	2,159	0	4,283
Loss from liquidation of a subsidiary	133,353	0	0
Provision for allowance for doubtful receivables	0	0	17,984
Others	0	22,308	0
Extraordinary losses total	136,392	91,291	82,417
Income before income taxes	1,154,271	1,202,546	1,163,539
Income taxes			
Current	545,342	580,509	493,529
Deferred	10,170	(79,742)	50,650
Income taxes total	555,513	500,767	544,180
Losses on minority interests	37,670	16,597	3,841
Income from consolidated operations	636,427	718,376	623,200

Consolidated Retained Earnings

Six-month period ended Apr. 30	Thousands of yen		
	2004	2003	Year ended Oct. 31, 2003
Balance, beginning of year			
Retained earnings	10,401,120	9,933,458	9,933,458
Net income (loss)	636,427	718,376	623,200
Total	11,037,547	10,651,834	10,556,658
Deduct:			
Cash dividend paid	129,739	136,908	136,908
Officer's bonuses	20,970	18,630	18,630
Total	150,709	155,538	155,538
Balance, end of the 6-month period and the year	10,886,838	10,496,296	10,401,120

Statements of Consolidated Cash Flows

Thousands of yen

Six-month period ended Apr. 30

	2004	2003	Year ended Oct 31, 2003
Operating activities			
Net income before income taxes	1,154,271	1,202,546	1,163,539
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	157,656	163,977	331,835
Increase in accrued employees' bonuses	541,062	470,411	0
Increase (decrease) in accrued pension and severance liabilities	(103,053)	(17,549)	(65,219)
Increase (decrease) in officer's retirement allowance	8,805	(50,310)	(32,630)
Provision for doubtful receivables	(79,460)	(48,022)	(220,365)
Loss from liquidation of a subsidiary	133,353	0	0
Unrealized loss on investments	0	54,761	28,000
Interest and dividend income	(41,040)	(46,017)	(52,076)
Interest expense	21,851	28,653	56,961
Losses (gains) on foreign exchanges	(3,344)	6,723	28,263
Realized gains on marketable securities	(15,001)	(140,400)	(141,288)
Realized losses (profit) on property and equipment	2,159	4,283	3,269
Write-off of property and equipment	880	14,222	32,149
(Increase) decrease in trade receivables	(1,494,683)	(1,462,931)	149,568
(Increase) decrease in inventories	(364,151)	(292,318)	39,401
Increase (decrease) in trade payables	694,731	216,352	(652,166)
Increase (decrease) in account payable-others	3,276	(44,727)	40,064
Increase (decrease) in advances from customers	253,729	(27,531)	(2,722)
Increase (decrease) in accrued consumption tax	58,256	(42,390)	(76,642)
Officer's bonuses	(20,970)	(18,630)	(18,630)
Others	(599,558)	(487,809)	232,732
Sub total	308,769	(516,704)	844,044
Interests and dividends received	41,363	45,755	52,398
Interests paid	(30,380)	(29,305)	(57,426)
Income taxes paid	(102,424)	(414,583)	(789,570)
Net cash provided (used) by operating activities	217,328	(914,837)	49,446
Investing activities			
Increase in time deposits	0	0	(100,000)
Decrease in time deposits	0	0	100,000
Acquisition of investments	(16,271)	(214,117)	(280,814)
Proceeds from sales of investments	39,571	150,000	154,040
Expenditures for properties and equipment	(189,698)	(43,179)	(246,498)
Proceeds from sales of properties and equipment	0	2,366	6,623
Expenditures for intangible fixed assets	0	0	(6,240)
Collection of loans receivable	29,938	22,848	111,925
Increase in loans receivable	(11,160)	(176,480)	(173,219)
Decrease in guarantee deposits	16,479	11,156	25,593
Decrease in other investments	31,372	2,575	4,696
Net cash provided (used) in investing activities	(99,767)	(244,829)	(403,892)
Financing activities			
Increase (decrease) in short-term debt	467,760	805,000	201,000
Increase (decrease) in long-term debt	900,000	0	0
Repayment of long-term debt	(1,516,792)	(17,697)	(35,401)
Reacquisition of issued shares of stocks	(190)	(655)	(360,465)
Cash dividends paid	(129,739)	(136,908)	(136,908)
Net cash provided (used) in financing activities	(278,962)	649,739	(331,775)

Cash and cash equivalents

Effect of exchange rate changes	(12,220)	(9,241)	(38,452)
Increase (decrease) in cash and cash equivalents	(173,622)	(519,169)	(724,674)
Cash and cash equivalents at the beginning of year	1,770,047	2,494,721	2,494,721
Cash and cash equivalents at end of the 6-month period	<u>1,596,424</u>	<u>1,975,552</u>	<u>1,770,047</u>

Notes to Consolidated Financial Statements

1. Marketable Securities and Investments

Marketable equity securities and debt securities as available-for-sale	Cost	Fair value	Thousands of yen
			Unrealized holding gains (losses)
April 30, 2004			
Shares	343,822	554,104	210,282
Other securities	11,428	8,192	(3,236)
Total	355,251	562,296	207,045
April 30, 2003			
Shares	303,884	325,876	21,991
Corporate bonds	5,826	7,224	1,397
Other securities	5,534	5,534	0
Total	315,244	338,634	23,389
October 31, 2003			
Shares	359,447	488,387	128,940
Corporate bonds	2,674	3,418	743
Other securities	11,428	7,236	(4,192)
Total	373,550	499,041	125,491

Investments other than investments in marketable equity securities and debt securities	Thousands of yen		
	Carrying value		
	Apr. 30, 2004	Apr. 30, 2003	Oct. 31, 2003
Unlisted securities (except for OTC market securities)	413,632	380,175	402,729
Stocks of subsidiaries and affiliates	51,500	51,500	51,500
Total	465,132	431,675	454,229

2. Pledged Assets

Assets pledged as collateral for certain liabilities	Apr. 30, 2004	Apr. 30, 2003	Thousands of yen
			Oct. 31, 2003
Collateral Investment securities:	241,660	125,358	202,469
Related liabilities Long-term debt	10,000	30,000	20,000
Trade payables	195,340	273,831	181,086

3. Short-term Borrowing

Commitment lines with Japanese banking syndicates:	Apr. 30, 2004	Apr. 30, 2003	Thousands of yen
			Oct. 31, 2003
Bank's overdraft/loan commitment lines	6,650,000	6,100,000	6,100,000
Loan balances outstanding	1,104,000	1,300,000	700,000
Unused lines	5,546,000	4,800,000	5,400,000

4. A number of outstanding shares

10,533,200 common stocks, including 553,456 treasury stocks, were outstanding at April 30, 2004.

5. Segment Information

Operating Segment Information

Six-month period ended April 30, 2004	Machinery & Equipment	Chemical Products	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	5,667,441	15,757,062	21,424,503	0	21,424,503
Intersegment	0	0	0	0	0
Total	5,667,441	15,757,062	21,424,503	0	21,424,503
Operation costs	5,061,989	15,190,167	20,252,186	0	20,252,156
Operating income	605,452	566,894	1,172,347	0	1,172,347

Six-month period ended April 30, 2003	Machinery & Equipment	Chemical Products	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	5,947,593	15,077,501	21,025,095	0	21,025,095
Intersegment	0	0	0	0	0
Total	5,947,593	15,077,501	21,025,095	0	21,025,095
Operation costs	5,206,417	14,678,302	19,884,720	0	19,884,720
Operating income	741,175	399,199	1,140,375	0	1,140,375

Year ended October 31, 2003	Machinery & Equipment	Chemical Products	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	10,642,886	29,985,624	40,628,510	0	40,628,510
Intersegment	0	0	0	0	0
Total	10,642,886	29,985,624	40,628,510	0	40,628,510
Operation costs	10,378,810	29,198,564	39,577,375	0	39,577,375
Operating income	264,075	787,059	1,051,135	0	1,051,135

Geographic Area Information

Six-month period ended April 30, 2004	Japan	Asia	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	18,121,498	3,303,004	21,424,503	0	21,424,503
Intersegment	27,614	0	27,614	(27,614)	0
Total	18,149,113	3,303,004	21,452,118	(27,614)	21,424,503
Operation costs	17,004,679	3,247,477	20,252,156	0	20,252,156
Operating income	1,144,434	55,527	1,199,962	(27,614)	1,172,347

Six-month period ended April 30, 2003	Japan	Asia	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	17,122,272	3,902,822	21,025,095	0	21,025,095
Intersegment	1,638	0	1,638	(1,638)	0
Total	17,123,911	3,902,822	21,026,733	(1,638)	21,025,095
Operation costs	16,063,018	3,823,151	19,886,170	(1,450)	19,884,720
Operating income	1,060,892	79,670	1,140,563	(188)	1,140,375

Year ended October 31, 2003	Thousands of yen				
	Japan	Asia	Total	Elimination & Other	Consolidated
Net sales					
External customers	32,839,091	7,789,419	40,628,510	0	40,628,510
Intersegment	77,442	74	77,516	(77,516)	0
Total	32,916,533	7,789,493	40,706,027	(77,516)	40,628,510
Operation costs	32,075,259	7,572,824	39,648,084	(70,709)	39,577,375
Operating income	841,273	216,668	1,057,942	(6,807)	1,051,135

6. Selling, General and Administrative

Significant components of "selling, general and administrative" for the 6-month period ended April 30, 2004 and 2003 were as follows:

Six-month period ended April 30	2004	2003	Thousands of yen
			Years ended Oct. 31, 2003
Shipping & packaging costs:	361,869	292,754	601,043
Provision for doubtful receivables	0	8,526	0
Provision for retirement allowance	69,995	86,437	172,871
Provision for officer's indemnities	17,255	17,680	35,360
Employee's pay-rolls	741,612	763,383	1,768,916
Provision for employee's bonuses	358,518	290,625	0
Welfare expenses	182,853	178,571	399,189
Travel expenses	161,437	155,534	314,703
Depreciation	49,019	58,397	117,660
Rents	189,321	236,550	433,110
Other expenses	0	0	4,238

7. Gains and Losses on Property and Equipment

Six-month period ended April 30	2004	2003	Thousands of yen
			Years ended Oct. 31, 2003
Realized gains			
Equipment and vehicles	0	0	965
Other assets	0	0	48
Total	0	0	1,014
Realized Losses			
Equipment and vehicles	2,159	4,283	4,283
Losses on write-off			
Equipment and vehicles	849	13,114	30,541
Other assets	30	1,107	1,607
Total	880	14,222	32,149

8. Finance Leases

Finance lease transactions are treated in accordance with the generally accepted accounting method for the ordinary lease transactions, except for the case in which ownership to property is considered that it is transferred to the lessee under lease agreement.

Lessee

Equivalent values of lease properties were estimated at	Apr. 30, 2004	Apr. 30, 2003	Thousands of yen
			Oct. 31, 2003
Machinery, equipment and vehicles			
Purchase price equivalents	18,900	190,418	22,590
Accumulated depreciation equivalents	(18,702)	(171,553)	(21,688)
Net value equivalence	197	18,864	901
Others			
Purchase price equivalents	277,938	307,456	316,685
Accumulated depreciation equivalents	(125,077)	(190,656)	(195,769)
Net value equivalence	152,861	116,799	120,916
Total	153,058	135,664	121,818

Accrued rental expenses outstanding at	Apr. 30, 2004	Apr. 30, 2003	Thousands of yen
			Oct. 31, 2003
Due in one year or less	50,834	78,187	51,738
Due after one year	106,659	66,747	75,936
Total	157,493	144,934	127,674

Rental expenses paid for the six-month period ended	Apr. 30, 2004	Apr. 30, 2003	Thousands of yen
			Years ended Oct. 31, 2003
Rental expenses paid	33,200	59,666	115,638
Depreciation portion	30,287	54,816	101,845
Interest portion	1,482	2,408	4,386

The depreciation portion was computed by the straight-line method estimating that each rental period is a useful life and each remaining value is zero. The interest portion was computed by the interest method estimating that a difference between an aggregate rental fee amount and an assumed acquisition cost of each rental asset is an assumed interest amount.

9. Contingent Liabilities

Tomoe Engineering guarantees indebtedness of employees who took mortgage loans in accordance with company's mortgage loan program.

At April 30, 2004 and 2003	2004	2003	Thousands of yen
			Oct. 31, 2003
Guarantees	29,811	36,010	32,678

10. Cash and Cash Equivalents

Relationship between "cash and deposits" in Balance Sheets and "cash and cash equivalents" of in Statements of Consolidated Cash Flows at April 30, 2004 and 2003 were as follows:

At April 30, 2004 and 2003	2004	2003	Thousands of yen
			Oct. 31, 2003
Cash and deposits	1,696,424	2,075,552	1,870,047
Time deposits with contractual period more than 3 months	(100,000)	(100,000)	(100,000)
Cash and cash equivalents	1,596,424	1,975,552	1,770,047