

Consolidated Financial Results

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

1. Results of Operation

Years ended October 31	2004		2003	
	Millions of yen	Change from the previous year (%)	Millions of yen	Change from the previous year (%)
Sales	45,551	12.1	40,628	(5.3)
Operating income	1,711	62.8	1,051	25.8
Recurring profit	1,720	71.9	1,000	11.6
Net income	745	19.5	623	113.2
Net income per share	¥70.48		¥57.61	
Return on equity	5.8%		5.0%	
Return on assets	6.5%		4.1%	
Recurring profit/sales	3.8%		2.5%	

Notes:

(1) The equities in net earnings of subsidiaries for the fiscal years ended October 31, 2004 and 2003 were none.

(2) An average number of outstanding shares (consolidated) during the years ended October 31, 2004 and 2003 were 9,979,806 and 10,453,498 respectively.

2. Assets and Shareholder's Equity

Years ended October 31	Millions of yen	
	2004	2003
Assets (A)	28,721	23,983
Shareholder's equity (B)	13,273	12,556
(B)/(A)	46.2%	52.4%
Shareholder's equity per share	¥1,325.89	¥1,256.03

Note: A number of outstanding shares (a number of treasury stocks were subtracted) at October 31, 2004 and 2003 were 9,979,694 and 9,979,969 respectively.

3. Cash Flows

Years ended October 31	Millions of yen	
	2004	2003
Net cash provided by operating activities	(77)	49
Net cash used in investing activities	(310)	(403)
Net cash used in financing activities	357	(331)
Consolidated cash and cash equivalent, October 31	1,735	1,770

4. Consolidation and Application of the Equity Method

Reportable subsidiaries, whose accounts were consolidated in Fiscal 2004, are 5 (One affiliate, which had been reported till Fiscal 2003, was excluded from the statements.).

None of accounts of subsidiaries are accounted for by the equity method.

5. Prospects for the Year ending October 31, 2005

Years ended October 31	Millions of yen	
	6 months ending April 30, 2005	The year ending October 31, 2005
Sales	25,920	49,770
Recurring profit	1,550	1,930
Net income	880	1,110

We expect that consolidated net income per share for the year ending October 31, 2005 will be ¥106.57.

Tomoe Engineering and Companies

Tomoe Group consists of Tomoe Engineering and its 7 subsidiaries. Its group is mainly engaged in manufacture and distribution of centrifuges, trading of chemical products. Business activities of the group are divided into following 3 main categories. "Business Segments," which will be discussed in a later section, are based on following business activity segments. Since "other businesses" involve no consolidated subsidiary, "Business Segments" do not include figures related to them.

Machinery manufacture & distribution:

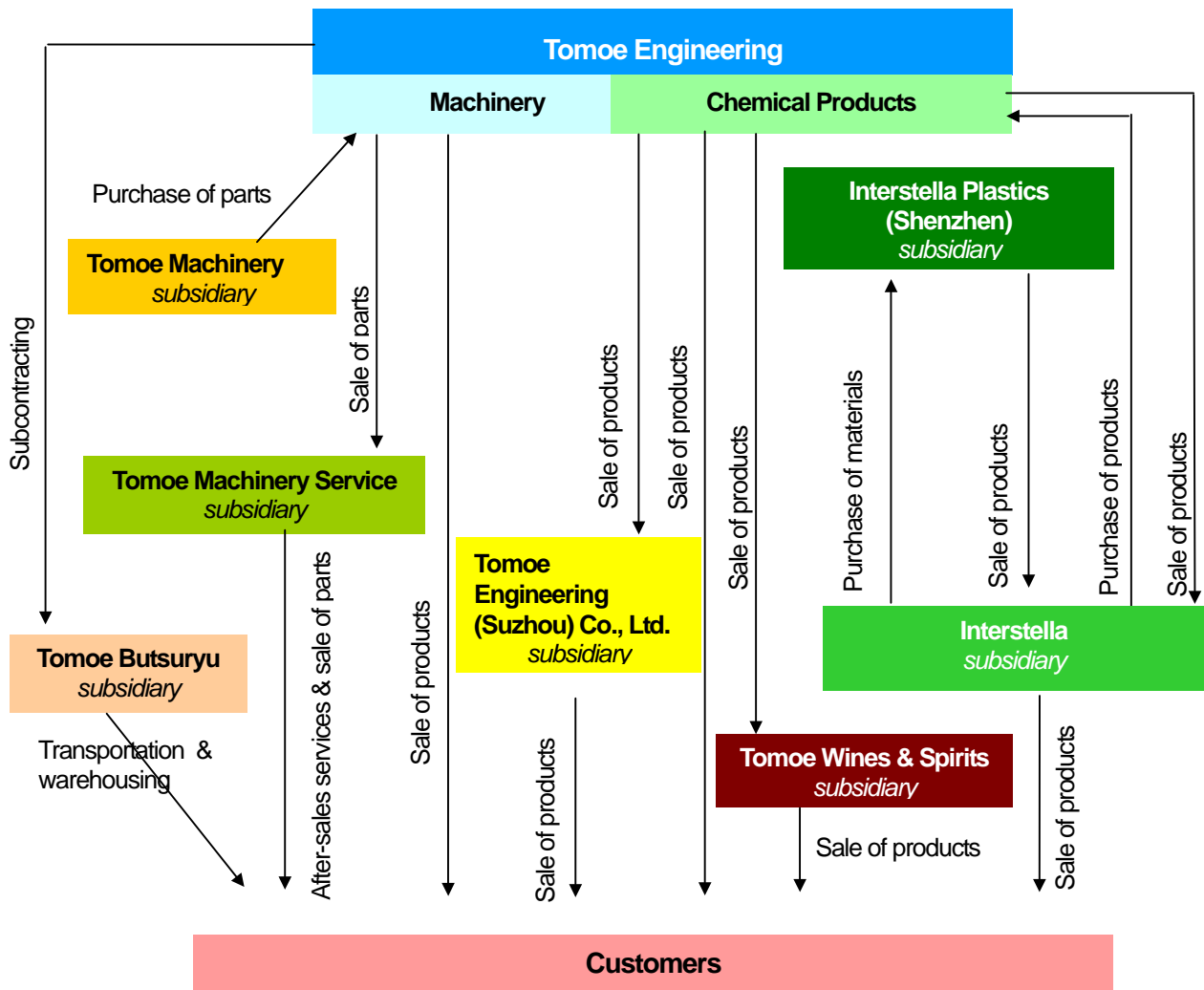
Tomoe Engineering manufactures and distributes solid bowl centrifuges. Tomoe Machinery Service provides centrifuge users with after-sales services as well as parts. Tomoe Machinery undertakes machining, sheet-metal processing of centrifuge.

Chemical product trading:

Interstella Plastics (Shenzhen) are engaged in coloring and compounding of plastic materials. Interstella is the investing company and also serves a contacts for purchasing and sales. Tomoe Engineering supplies Interstella with plastic materials and buys back a part of their products through Interstella. Tomoe Engineering (Suzhou) contracts surface-mount IC packaging and Tomoe Wines & Spirits distributes wines and spirits imported by Tomoe Engineering. Incidentally, Shenzhen Stella Plastics, which had been dormant, completed a procedure for liquidation of the company in March 2004 .

Other businesses:

Tomoe Butsuryu subcontracts with the Company for transportation and warehousing.



Management Policy

(1) Basic management philosophy

Our basic management philosophy is to contribute to society and bring good life to every people involved through growth and development of the Company with spirit of creation and entrepreneurship and to provide our customers with high level of technologies and excellent products.

(2) Basic policy on distribution of profits

We recognize one of our most important management goals is to pay fair share of the Company's earnings to our shareholders. While our basic management policy is to deliver dividends in accordance with our earnings performance, we also place great importance on maintaining and sustaining stable dividends. At the same time, in order to strengthen our management bases to enable to deliver dividends on a stable basis, enhancement of retained earnings is taken into our consideration when deciding dividends.

(3) Targeted management indexes and tasks to be addressed

Tomoe Engineering and its group companies drew up No. 7 Midterm Management Plan covering three fiscal terms from 2005 (the term starting November 1, 2004 through October 31, 2005) to 2007 (November 1, 2006~October 1, 2007). Tomoe group, through implementation of this plan, will strive to establish management bases ensuring consolidated pretax recurring profits of more than two billion yens on a continuous basis and improve further its corporate value. For accomplishment of the set goal, we will implement following measures in the first fiscal term of the Midterm Management Plan starting November 1, 2004:

- Machinery & Equipment Division:
We will continue to pursue cost reduction through collective efforts of the entire group and arouse demand both at home and abroad by introducing new centrifuge and highly efficient and power saving equipment. In overseas market, we will set up bases in China for repairing machinery to be supplied to promote sales with an eye on local production in the future. At the same time, we will consider concluding distributorship agreement with US company to establish sales route in the US market.
- Chemical Products Division:
We will accelerate development and sales of nano-technologies, ceramics and other related products of the next generation and aggressively promote import and marketing of new mineral products. Meanwhile, we established Tomoe Engineering (Hong Kong) Co., Ltd. in November 2004 by locally incorporating our Hong Kong branch office for the purpose of developing businesses in China on a continuous basis. We will aggressively promote launching new business ventures and finding new products.
- Administrative organization:
We established Internal Audit & Compliance Division under the direct control of president for the purpose of clarifying more clearly the independence of audit and creating driving matrix to accelerate corporate governance. To facilitate environment-minded management further, we will start concrete activities for acquisition of ISO14001 by the first half of 2006 fiscal term.

(4) Basic concept on corporate governance and monitoring compliance with its measures:

(Basic concept on corporate governance)

We recognize enhancing corporate governance is indispensable for improvement of corporate value and responding to the expectations of the concerned parties including shareholders. We consider "speedy and efficient business operation," "maintenance and improvement of internal control system" and "securement of transparency" are the bases of corporate governance.

(Monitoring compliance with corporate governance measures)

Based on our business descriptions and size, we will continue to maintain corporate auditors. Presently, our management organization consists of Board of Directors (10 directors) for making decisions on management policy and other important issues and auditing directors' fulfillment of duties, Management Committee (10 directors the same as Board of Directors) for discussing and reporting on the matters to be enforced in accordance with

management policy adopted by Board of Directors and Board of Corporate Auditors (4 auditors) as an auditing arm. We appoint Chuo Aoyama Auditing Co. as our accounting auditor, who carries out independent and fair auditing under the agreement concluded between the two parties.

For making management decisions and implementations, we hold regular Board of Directors meeting once a month and extraordinary meeting(s) as required and Management Committee two times a month in principle to facilitate speedy management decision making. Sharing the latest information, intensive discussions and reporting are made at those meetings to accomplish fair and efficient management on various issues such as business developments, risks involved, prevention and avoidance of such risks, etc. In the current fiscal term, we held twenty-one Board of Directors and twenty members of Management Committee. In the meantime, we have not appointed any outside board members presently.

On management control and supervision, corporate auditors attend Board of Directors and Management Committees meetings as well as other important meetings as required and deliver their remarks. Board of Corporate Auditors decides auditing policy independently, audits operations and assets of the Company and its group companies in cooperation with company staffs in charge of auditing and accounting auditor and deliver its opinions. Board of Corporate Auditors consists of four auditors, and two of them are outside board members (one of them is a lawyer). Board of Directors has no relationship with the Company in terms of personnel or capital. By president's instruction, a decision was made to designate one person in Management Planning Department strictly in charge of internal auditing, and he will have assistants as needed for auditing. Effective November 1, 2004, Internal Audit & Compliance Division was newly established under the direct control of president with three staffs for the time being. The division will be in charge of internal auditing and have function to lead enhancement of compliance and risk management.

As to disclosure of corporate information, we started to disclose information on financial matters and business performance on a quarterly basis in addition to the traditional brief announcement for every interim and year-end account settlement. We also disclose corporate information in a timely manner in accordance with the related regulations and hold briefings on account settlement for analysts, etc. two times a year. We also provide and update various corporate information in our Web site as a part of our wide-ranging IR activities.

Operating Results and Financial Condition

Operating results:

(1) General condition of the current consolidated fiscal term

The sales for the current fiscal term were 45,551 million yen, up by 12.1% from the previous term, and the pretax recurring profits were 1,720 million yen, up by 71.9% from the previous term. The net profits for the current fiscal term were 745 million yen, up by 19.5% from the previous term, after deduction of the loss incurred by the liquidation of Shenzhen Stella Plastics Co., Ltd. and early application of depletion accounting procedure.

Machinery & Equipment Division

The sales for the current fiscal term were 11,184 million yen, up by 5.1% from the previous term and the operating profits were 645 million yen, up by 144.3% from the previous term. The demand in private sector had strong showing due to recovery in capital investment in private sector. The demand from public offices had a little weak showing due to reduction in public investment. In overseas business, the sales of machinery have substantially increased owing to brisk economy in China.

Chemical Products Division

The sales for the current fiscal term were 34,366 million yen, up by 14.6% from the previous term and the operating profits were 1,066 million yen, up by 35.5% from the previous term. The sales of mineral and related products for construction industry have considerably increased as a result of newly acquired businesses. The sales of plastics and advanced materials and related products were almost the same as the previous term. The sales of electronic materials and related products had strong showing owing to brisk semiconductor industry at home and the increase of substrate mounting business in China.

All in all, Tomoe Engineering and its group companies had operating profits of 1,711 million yen, up by 62.8% from the previous term. Although we suffered exchange loss due to appreciation of yen toward the end of the fiscal term, we made pretax incurring profits of 1,720 million yen as mentioned above as we had some non-operating revenues.

(2) Outlook for the next fiscal term (November 1, 2004~ October 31,2005)

Machinery and Equipment Division

In private sector, strong showing is expected in domestic demand. We also expect machinery sales to increase as a result of recovery in demand for expansion and renovation of public sewerage works in major cities. Strong showing is also expected in overseas business including China. Overall, we expect our sales will increase.

Chemical Products Division

Plastics and advanced materials and related products are expected to show strong showing. We also expect sales of industrial materials to increase as a result of organic materials sales increase in new businesses. Sales of electronic materials are also expected to increase as substrate mounting business in China is expected to increase although it may be temporary.

As a result, we estimate our consolidated sales to be 49,770 million yen, up by 9.3% from the previous term and pretax recurring profits 1,930 million yen, up by 12.3% from the previous term. As we are not expecting any extraordinary losses as in the previous term, our net profits are expected to be 1,110 million yen, up by 49.0% from the previous term.

Financial condition:

The assets as of the end of the current consolidated fiscal term were reduced by 233 million yen due to the reduction of intangible fixed assets, etc. The current assets, however, were increased by 4,971 million yen as a result of account receivables increase. Overall, the total assets were increased by 4,738 million yen (19.8%) from the

previous consolidated fiscal term. The liabilities were increased by 4,154 million yen (37.1%) from the previous consolidated fiscal term due to increase in account payables, outstanding corporate taxes, interest-bearing liabilities, etc. The stockholders' equity was increased by 717 million yen (5.7%) from the previous consolidated fiscal term due to the increase in retained earnings. As a result, ROE (return on equity) as of the end of the current consolidated fiscal term was reduced by 6.2 point to 46.2%. Cash and cash equivalent were reduced by 35 million yen (2.0%) to 1,735 million yens as of the end of the current consolidated fiscal term due to increase in account receivables, inventory assets, payments for fixed assets acquired, etc.

(Cash flow through business activities)

Although the net profits before adjustment of tax, etc. for the current fiscal term were increased through business activities, cash flow was decreased by 127 million yens from the previous consolidated fiscal term to negative 77 million yens due to increase in account receivables, inventory assets, etc.

(Cash flow through investment activities)

Despite of the expenditure for tangible fixed assets acquisition, cash flow through investment activities was increased by 93 million yen from the previous consolidated fiscal term to negative 310 million yen as a result of less spending in the other items.

(Cash flow through financing activities)

Cash flow through financing activities was increased by 689 million yen from the previous consolidated fiscal term to 357 million yen as a result of new long-term borrowing and short-term borrowing increase, although repayment was made on long-term borrowing.

Changes of the main indexes on cash flow, etc. are as follows:

(years ended October 31)	2000	2001	2002	2003	2004
Shareholders' equity ratio (%)	40.2	47.4	49.9	52.4	46.2
Shareholders' equity ratio in current value (%)	27.5	32.9	23.3	27.6	34.1
Debt redemption years (years)	3.1	11.2	2.0	50.6	-
Interest coverage ratio	8.4	3.1	12.3	0.9	-

(Notes)

Shareholders' equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio in current value: Total market value of shares/Total assets
Debt redemption years: Interest-bearing debt/Cash provided by operating activities

Interest coverage ratio: Cash provided by operating activities/Interest payment

* Each index is calculated based on consolidated financial statements figures

* Total market value of the shares is calculated as follows:

End-term closing share quotation X End-term outstanding balance of issued shares
(after deducting own shares)

* Cash flow by operating activities in the consolidated cash flow statement is used as cash provided by operating activities. Interest-bearing debt includes all of the interest-bearing debts accounted for the consolidated balance sheet. Also, the amount of interest payment in consolidated cash flow statement is used as interest payment.

Consolidated Financial Statements

(1) Balance Sheets

Years ended October 31, 2004 and 2003

Thousands of yen

Assets	2004	2003	Changes
Current assets			
Cash and deposits	1,835,006	1,870,047	(35,040)
Trade receivables (Note 4)	17,106,755	13,013,851	4,092,903
Inventories	3,785,435	3,040,145	745,289
Deferred tax assets	440,189	279,590	160,599
Other current assets	254,895	274,262	(19,366)
Allowance for doubtful receivables	(83,158)	(110,344)	27,191
Total current assets	23,339,128	18,367,551	4,971,576
Fixed assets			
Tangible fixed assets			
Buildings	2,116,545	2,100,498	
Accumulated depreciation	(1,137,003)	(1,059,753)	
Net	979,541	1,040,745	(61,204)
Machinery, equipment & vehicles	3,077,932	2,821,284	
Accumulated depreciation	(2,122,032)	(1,987,099)	
Net	955,899	834,184	121,714
Land	975,451	1,049,391	(73,939)
Other fixed assets	931,049	927,817	
Accumulated depreciation	(817,776)	(795,784)	
Net	113,272	132,032	(18,759)
Total tangible fixed assets	3,024,166	3,056,355	(32,188)
Intangible fixed assets	18,399	197,931	(179,532)
Investments and others			
Investments in securities (Notes 1, 2)	1,009,804	953,270	56,533
Guarantee deposits	552,877	553,922	(1,045)
Deferred tax assets	330,715	353,005	(22,290)
Financial derivative loss	259,740	234,568	25,172
Other investments	313,300	416,740	(103,440)
Allowance for doubtful receivables	(126,516)	(149,905)	23,389
Total investment and others	2,339,922	2,361,602	(21,680)
Total fixed assets	5,382,487	5,615,889	(233,401)
Total assets	28,721,616	23,983,441	4,738,175

Liabilities and Shareholder's Equity	Thousands of yen		
	2004	2003	Change
Current liabilities			
Trade-payables (Notes 2,4)	9,343,317	6,631,818	2,711,499
Short-term debt (Notes 2,7)	2,342,421	2,475,470	(133,048)
Account payable-others	666,249	520,715	145,533
Accrued income tax	711,725	88,837	622,888
Advances from customers	226,622	96,681	129,941
Other current liabilities	893,451	771,174	122,276
Total current liabilities	14,183,788	10,584,698	3,599,090
Long-term liabilities			
Long-term debt	644,019	25,291	618,727
Accrued pension and severance liabilities	28,527	142,900	(114,373)
Officer's retirement allowance	241,730	215,670	26,060
Financial derivatives	259,740	234,568	25,172
Total long-term liabilities	1,174,016	618,430	555,586
Total liabilities	15,357,805	11,203,128	4,154,677
Minority interests	90,230	224,159	(133,928)
Shareholder's equity			
Common stock (Note 5)	1,061,210	1,061,210	0
Capital surplus	1,483,410	1,483,410	0
Retained earnings	10,995,414	10,401,120	594,293
Unrealized gains and losses on marketable securities and investments	118,285	80,087	38,197
Foreign currency translation adjustment	(22,788)	(107,962)	(85,174)
Issued shares reacquired (Note 6)	(361,951)	(361,711)	(239)
Total shareholder's equity	13,273,579	12,556,153	717,426
Total	28,721,616	23,983,441	4,738,175

Statements of Consolidated Income

Years ended October 31, 2004 and 2003

Thousands of yen

	2004	2003	Change
Sales	45,551,561	40,628,510	4,923,050
Cost of sales (Note 2)	37,901,060	34,086,550	3,814,509
Gross profit	7,650,500	6,541,960	1,108,540
Selling, general and administrative (Notes 1, 2)	5,939,194	5,490,824	448,369
Operating income	1,711,306	1,051,135	660,170
Other income			
Interests	8,281	8,461	
Dividends	45,352	43,614	
Rents	13,151	8,416	
Sundry	40,575	55,760	
Other income total	107,360	116,252	(8,892)
Other expenses			
Interests	38,143	56,961	
Discounts on bills of exchange	1,274	1,255	
Listing expenses	27,150	0	
Foreign exchange loss	12,376	80,839	
Sundry	19,507	27,705	
Other expense total	98,451	166,761	(68,310)
Recurring profit	1,720,215	1,000,626	719,588
Extraordinary gains			
Realized gains on property and equipment (Note 3)	0	1,014	
Realized gains on investment securities	15,001	141,288	
Reversal for allowance for doubtful receivables	7,660	103,026	
Extraordinary gains total	22,661	245,329	(222,668)
Extraordinary losses			
Realized losses on property and equipment	2,159	4,283	
Written-off losses on property and equipment (Note 5)	3,971	32,149	
Realized losses on investment securities	3,497	0	
Unrealized losses on investment securities	0	28,000	
Depletion losses (Note 6)	73,939	0	
Liquidation losses for affiliate company	140,444	0	
Provision for allowance for doubtful receivables	31,655	17,984	
Written-off losses on memberships	6,300	0	
Extraordinary losses total	261,697	82,417	179,550
Income before income taxes	1,480,909	1,163,539	317,370
Income tax			
Current	933,805	493,529	
Deferred	(164,201)	50,650	
Income taxes total	769,603	544,180	225,423
Losses on minority interests	(33,697)	(3,841)	29,856
Income from consolidated operations	745,003	623,200	121,803

Consolidated Retained Earnings

Years ended October 31, 2004 and 2003		Thousands of yen		
		2004	2003	Change
Balance, beginning of year				
Retained earnings		10,401,120	9,933,458	
Net income		745,003	623,200	121,803
Deferred income taxes		0	0	
	Total	11,146,123	10,556,658	589,465
Deduct:				
Cash dividend paid		129,739	136,908	
Officer's bonuses		20,970	18,630	
	Total	150,709	155,538	(4,829)
Balance, end of year		10,995,414	10,401,120	594,294

Statements of Consolidated Cash Flows

Years ended October 31, 2004 and 2003

Thousands of yen

	2004	2003	Change
Operating activities			
Net income before income taxes	1,480,909	1,163,539	317,370
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	354,392	331,835	22,556
Increase (decrease) in accrued pension and severance liabilities	(114,373)	(65,219)	(49,153)
Increase (decrease) in officer's retirement allowance	26,060	(32,630)	58,690
Provision for doubtful receivables	(50,580)	(220,365)	169,785
Liquidation losses for affiliate company	140,444	0	140,444
Unrealized loss on investment securities	0	28,000	(28,000)
Interest and dividend income	(53,633)	(52,076)	(1,557)
Interest expense	38,143	56,961	(18,818)
Losses (gains) on foreign exchanges	1,114	28,263	(27,149)
Realized gains on investment securities	(11,503)	(141,288)	129,784
Realized losses on property and equipment	2,145	3,269	(1,123)
Write-off of property and equipment	3,971	32,149	(28,178)
Depletion losses	73,939	0	(73,939)
Other extraordinary losses	6,300	0	6,300
Decrease (increase) in trade receivables	(4,094,296)	149,568	(4,243,865)
Decrease (increase) in inventories	(746,977)	39,401	(786,379)
Increase (decrease) in trade payables	2,718,320	(652,166)	3,370,487
Increase in account payable-others	147,101	40,064	107,036
Increase (decrease) in advances from customers	129,941	(2,722)	132,664
Increase (decrease) in accrued consumption tax	(7,501)	(76,642)	69,141
Officer's bonuses	(20,970)	(18,630)	(2,340)
Others	202,170	232,732	(30,561)
Sub total	225,117	844,044	(618,927)
Interests and dividends received	54,742	52,398	2,344
Interests paid	(46,903)	(57,426)	10,523
Income taxes paid	(310,918)	(789,570)	478,651
Net cash provided by operating activities	(77,962)	49,446	(127,408)
Investing activities			
Increase in time deposits	(100,000)	(100,000)	0
Decrease in time deposits	100,000	100,000	0
Expenditures for properties and equipment	(405,110)	(246,498)	(158,612)
Proceeds from sales of properties and equipment	569	6,623	(6,053)
Expenditures for intangible fixed assets	0	6,240	(6,240)
Acquisition of investment securities	(23,159)	(280,814)	257,654
Proceeds from sales of investment securities	42,220	154,040	(111,820)
Collection of loans receivable	58,801	111,925	(53,123)
Increase in loans receivable	(14,050)	(173,219)	159,169
Decrease in guarantee deposits	992	25,593	(24,601)
Decrease in other investments	29,234	4,696	24,537
Net cash used in investing activities	(310,502)	(403,892)	93,389

Financing activities			
Increase in short-term debt	1,209,539	201,000	1,008,539
Increase in long-term debt	900,000	0	900,000
Repayment of long-term debt	(1,622,154)	(35,401)	(1,586,752)
Reacquisition of issued shares of stocks	(239)	(360,465)	360,226
Cash dividends paid	(129,739)	(136,908)	7,168
Net cash used in financing activities	<u>357,406</u>	<u>(331,775)</u>	<u>689,182</u>
Cash and cash equivalents (Note 15)			
Effect of exchange rate changes	(3,982)	(38,452)	34,470
Increase in cash and cash equivalents	(35,040)	(724,674)	689,634
Cash and cash equivalents at the beginning of year	<u>1,770,047</u>	<u>2,494,721</u>	<u>(724,674)</u>
Cash and cash equivalents at end of year	<u>1,735,006</u>	<u>1,770,047</u>	<u>(35,040)</u>

Basis of Financial Statements and Summary of Significant Accounting Policies

Significant basic matters in preparing consolidated financial statements for the current fiscal term (November 1, 2003 ~ October 31, 2004):

1. Scope of consolidation:

- (1) Number of consolidated subsidiaries: 5
Tomoe Machinery Co., Ltd.
Tomoe Machinery Service Co., Ltd.
Interstella Co., Ltd.
Interstella Plastics (Shenzhen) Co., Ltd.
Tomoe Engineering (Suzhou) Co., Ltd.

Note that Shenzhen Stella Plastics Co., Ltd. was liquidated in March 2004.

- (2) Names of main unconsolidated subsidiaries:
Tomoe Butsuryu Co., Ltd.
Tomoe Wine & Spirits Co., Ltd.

Reason for excluding from scope of consolidation:

Above two unconsolidated subsidiaries are excluded from scope of consolidation because they are small-scale companies and their total assets, sales, net profits for the current term (in amount appropriate for equity) and accumulated earnings (in amount appropriate for equity) have no significant effects on consolidated financial statements.

2. Matters related to applying equity method:

- (1) Number of unconsolidated subsidiaries equity method is applied: None
- (2) Number of consolidated subsidiaries equity method is applied: None
- (3) Names of main unconsolidated subsidiaries and affiliated companies equity method is not applied:
Tomoe Butsuryu Co., Ltd.
Tomoe Wine & Spirits Co., Ltd.

Reason for not applying equity method:

Investments in the above two unconsolidated subsidiaries are appraised by cost method instead of equity method as they have no major effects on consolidated net profit or loss, consolidated accumulated earnings, etc. and are not important in totality.

3. Business year, etc. of consolidated subsidiaries:

As fiscal terms of Interstella Co., Ltd., Interstella Plastics (Shenzhen) Co., Ltd., and Tomoe Engineering (Suzhou) Co., Ltd. end on December 31, their accounts are provisionally closed on September 30 of the respective fiscal term and necessary adjustments required for consolidation are made on important transactions among consolidated companies from October 1 to the closing dates.

4. Accounting procedure standard:

- (1) Appraisal standard and appraisal method for important assets:
 - 1) Appraisal standard and appraisal method for securities:
Other securities
Assets with market value:
Market value method based on market value, etc. on the closing date
(All of appraisal differences are processed by capital infusion method and cost of sales is calculated by moving average method.)
Assets without market value:
Cost method by moving average method
 - 2) Appraisal standard and appraisal method for inventories:
Goods:
Cost method based on moving average method (cost method based on individual method for certain specific goods)
Finished products and products in process:
Mainly cost method based on individual method

Raw materials:

Mainly cost method based on first-in first-out method

Supplies:

Last cost method

(2) Depreciation method for important depreciation assets:

1) Tangible fixed assets:

Fixed rate method is mainly applied for depreciation, while fixed amount method is applied for the buildings excluding accessory equipment acquired on or after April 1, 1998.

Meanwhile, service lives of the main assets are as follows:

Buildings and structures: 5~47 years

Machinery and vehicles: 2~15 years

(Depreciation assets of small amount)

Assets with acquisition price of ¥100,000 - less than ¥200,000 will be accounted for as assets, and method of equal installment in three years is adopted for depreciation.

2) Intangible fixed assets:

Equal installment method is adopted. However, equal installment method based on estimated utilizable period (5 years) is adopted for software for our own use.

(3) Allocation standard of important reserves:

1) Bad debt reserves:

Mainly preparing for bad debts, estimated non-recoverable amount is accounted for by loss ratio for general debts and collectability of specific debts such as doubtful debt is taken into consideration individually.

2) Retirement benefit reserves:

Preparing for employee's retirement benefits, the amount acknowledged being incurred as of the end of the current consolidated fiscal term is accounted for based on estimated amount of retirement benefit debts and pension assets as of the end of the current consolidated fiscal term.

Meanwhile, mathematical calculation difference is processed proportionately as cost in each consolidated fiscal term of its occurrence by equal installment method based on certain number of years (10 years) within employees' average remaining work period.

3) Director's retirement allowance:

Term-end payable allowances based on the bylaw are appropriated to prepare for payment of director's retirement allowances.

(4) Process method of important lease transaction:

Finance lease transactions other than those in which ownership of leased objects is acknowledged being transferred to lessee are processed in accordance with the method for ordinary rental transactions.

(5) Method of important hedge accounting:

1) Method of hedge accounting:

Deferred hedge accounting is adopted.

For exchange contracts and currency swaps, appropriated process is adopted if requirements for appropriated process are satisfied. Special process is adopted for interest swaps if requirements for special process are satisfied.

2) Means for hedging and objects for hedging:

Means for hedging

Objects for hedging

Interest swaps

Interest rate fluctuation on borrowings

Exchange contracts and

Exchange rate fluctuation for

currency swaps

debts and credits in foreign currencies

3) Hedge policy:

We hedge risks against fluctuation of exchange rate, interest rate, etc. In principle, we hedge risks based on actual demand and no derivative transactions are made for speculation purpose.

4) Appraisal method of hedge effectiveness:

We make our hedge transactions in accordance with our risk management method and acknowledge that the correlation between means for hedging against fluctuation of exchange rate, interest rate, etc. and objects for hedging are completely justified.

(6) Other important matters in preparing consolidated financial statements:

- 1) Accounting procedure for consumption tax, etc:
Accounting procedure for consumption tax and local consumption tax is in accordance with net of tax method.

5. **Matters related to asset and debt appraisal of consolidated subsidiaries:**

Full market value appraisal method is adopted for appraisal of asset and debt of consolidated subsidiaries.

6. **Matters related to handling of profit appropriation, etc:**

Consolidated surplus statement is prepared based on appropriation of net profit of consolidated subsidiaries finalized during the consolidated fiscal term.

7. **Range of funds in consolidated cash flow statement:**

Funds (cash, cash equivalent, etc.) in consolidated cash flow statement consist of cash on hand, deposits derivable as needed and easily convertible and yet short-term investments with maturity date within three months from acquisition date bearing small risks only in price fluctuation.

Change in accounting procedure:

(Accounting standard for depletion of fixed assets)

As “**Accounting standard for depletion of fixed assets**” (“Report on establishment of accounting standard for depletion of fixed assets” (Corporate Accounting Council August 9, 2002)) and “**Application guidance of accounting standard for depletion of fixed assets**” (Corporate Accounting Standard Committee October 31, 2003 Corporate Accounting Standard Application Guidance No. 6) can be applied for consolidated fiscal terms ending on or after March 31, 2004, we have adopted above accounting standard and application guidance from the current consolidated fiscal term. As a result, net profits before tax adjustment, etc. for the current fiscal term are reduced by ¥73,939,000.

Notes to Consolidated Financial Statements

(Consolidated balance sheet)

Year ended October 31, 2004

- *1 For unconsolidated subsidiaries and affiliated companies:
Investment securities (stocks) ¥51,500,000
- *2 (Collateral assets)
A portion of the assets is pledged as collateral. Details are as follows:

<u>Pledged assets amount</u>	<u>Secured liabilities amount</u>
Investments	Bills payable &
Securities: ¥158,090,000	accounts payable: ¥159,010,000
- 3 Contingent liabilities:
* Liabilities for guarantee:
Liabilities for guarantee on bank borrowings for home ownership financing of employees:

Employees (home ownership financing for employees)	¥27,116,000
--	-------------
- *4 Term-end maturing bills are cleared on bill clearing date. Since the last day of the current consolidated fiscal term was holiday for banking institutions, bills maturing on the last day of the succeeding fiscal term are included in term-end balance.

Bills receivable	¥523,757,000
Bills payable	¥192,594,000
- *5 Total number of issued stocks: Common stocks 10,533,200 shares
- *6 Own shares:
The shares owned by consolidated companies who submitted consolidated financial statement:

Common stocks	553,506 shares
---------------	----------------
- *7 The holding company of the group concluded overdraft contract and loan commitment contract with main correspondent financial institutions for enabling efficient operating funds raising. Unrealized borrowing balance is as follows:

Limit of overdraft and total amount of loan commitment	¥6,650,000,000
Balance of executed borrowings	¥1,670,000,000
Balance	¥4,980,000,000

(Consolidated profit and loss statement)

Year ended October 31, 2004

- *1 Main expense items and amount in selling costs and general administrative costs are as follows:

packing and freight costs	¥801,522,000
retirement benefit costs	¥139,991,000
money transferred for director's retirement allowance	¥35,360,000
employee's salary costs	¥1,805,581,000
welfare costs	¥377,715,000
travelling and transportation costs	¥335,684,000
depreciation costs	¥100,938,000
rent	¥370,106,000
fatigue duty costs	¥2,922,000

- *2 Research and development costs included in general administrative costs and manufacturing costs for the current term are ¥207,758,000

- *3 Profit on sale of fixed assets: -

- *4 Loss on sale of fixed assets:
Machinery and vehicle ¥2,159,000

- *5 Loss on removal of fixed assets:
Machinery and vehicle ¥2,761,000
Others ¥1,209,000
Total ¥3,971,000

- *6 Depletion loss:
Our group accounted for depletion loss on the following assets:

Location	Intended Purpose	Type	Amount (¥1,000)
Minami Saku-gun, Nagano Pref.	idle land	land	67,594
Ito-shi, Shizuoka Pref.	idle land	land	4,690
Nasu-gun, Tochigi Pref.	idle land	land	1,654
Total			73,939

The assets of our group are divided into three groups, machinery and equipment manufacturing and sales operation, chemical products sales operation and idle assets. Since land value has sharply declined against the book value in the current fiscal term, the book value of the idle assets (land) was reduced to the level of recoverable value and extraordinary loss in the amount of ¥73,939,000 was accounted for. In the meantime, idle land is measured from net sale value and appraised based on reasonably adjusted appraisal value of the fixed assets.

(Consolidated cash flow statement)

Year ended October 31, 2004

- *1 Term-end balance of cash and cash equivalent and relation with the amount of the accounts listed in the consolidated balance sheet:

Cash and deposit account	¥1,835,006,000
Time deposits over three months	(¥100,000)
Cash and cash equivalent	¥1,735,006,000

(Lease)

Year ended October 31, 2004

Finance lease transactions other than those of which ownership of leased item is acknowledged to be transferred to lessee:

1. Acquisition price equivalent, accumulated depreciation equivalent, accumulated depletion loss equivalent of leased items and term-end outstanding balance equivalent:

	Acquisition price equivalent	Accumulated depreciation equivalent	Accumulated depletion loss equivalent	Term-end outstanding balance equivalent
	Thousands of yen			
Machinery and vehicles	40,400	28,933	---	11,466
Others	266,900	130,076	---	136,824
Total	307,300	159,009	---	148,290

2. Term-end balance equivalent of unexpired lease fee and outstanding balance of lease assets depletion account:

Term-end balance equivalent of unexpired lease fee:	
Within one year	¥50,100,000
Exceeding one year	¥102,671,000
Total	¥152,771,000

Outstanding balance of lease assets depletion account --- yen

3. Lease fee paid, amount withdrawn from lease assets depletion account, depreciation cost equivalent, interests paid equivalent and depletion loss:

Lease fee paid	¥63,830,000
Amount withdrawn from lease assets depletion account	---
Depreciation cost equivalent	¥61,953,000
Interests paid equivalent	¥3,191,000
Depletion loss	---

4. Calculation method of depreciation cost equivalent:

By fixed amount method with service life being lease period and residual value being zero.

5. Calculation method of interests equivalent:

Allocation for each term is by interest method with the difference between the total amount of lease fee and acquisition price equivalent of leased items being interests equivalent.

(Securities)

Year ended October 31, 2004

1. Other securities with market value:

Classification	Acquisition cost	Amount accounted for balance sheet	Difference
<u>Thousands of yen</u>			
Those of which amount accounted for balance sheet exceeding acquisition cost:			
Stocks	236,513	453,561	217,047
Sub Total	236,513	453,561	217,047

Those of which amount accounted for balance sheet not exceeding acquisition cost:

(1) Stock	108,051	¥86,857	(21,193)
(2) Others	11,428	7,518	(3,910)
Sub Total	119,480	94,375	(25,104)
Total	355,993	547,937	191,943

2. Other securities sold during the current consolidated fiscal term (from November 1, 2003 to October 31, 2004):

Sales value	Total gains on sales	Total loss on sales
<u>Thousands of yen</u>		
42,220	15,001	3,497

3. Main securities not being appraised on market price:

Classification	Amount accounted for consolidated balance sheet:
<u>Thousands of yen</u>	
Other securities:	
Unlisted stocks (excluding over-the-counter stocks)	410,367
Total	410,367
Stocks of subsidiary companies and affiliated companies:	
Stocks of subsidiary companies	51,500
Total	51,500

4. Of the other securities, estimated redeemable amount of the receivables with maturity date and purpose of possessing until maturity date after consolidated settlement date:

Classification	<u>Thousands of yen</u>			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 year
Others	---	7,518	---	---
Total	---	7,518	---	---

(Derivative transactions)

Year ended October 31, 2004

1. Conditions of transaction:

1) Details of transaction, utilization purpose, etc:

Forward exchange transactions and currency swaps transactions are utilized for a portion of account receivables and account payables in foreign currencies against actual demand from ordinary business operations in overseas businesses to prepare for risks of exchange rate fluctuation in import and export transactions in normal business operation.

Also, interest swaps transactions are utilized for a portion of borrowings with floating interest rate to avoid risks of interest rate fluctuation.

(1) Method of hedge accounting:

Deferred hedge accounting is adopted.

Appropriated procedure is adopted for exchange contracts and currency swaps if requirements for appropriated procedure are satisfied.

Special procedure is adopted for interest swaps if requirements for special procedure are satisfied.

(2) Means of hedging and objects hedged:

Means of hedging

Interest swaps

Exchange contracts and

Currency swaps

Objects hedged

Interest rate fluctuation on borrowing

Exchange rate fluctuation on debts and

credits in foreign currencies

(3) Hedge policy:

Hedging is executed to hedge risks against fluctuation of exchange and Interest rates for actual demand only in principle and no derivative transactions are done at all.

(4) Method of hedge efficiency appraisal:

Our hedge transactions are executed in accordance with our risk management method and it is confirmed that correlation between means of hedging and objects hedged for fluctuation of exchange and interest rate, etc. is solidly secured.

2) Policy on wrestling with derivative transactions:

Derivative transactions are executed for the purpose of hedging risks against exchange rate fluctuation for debts and credits in foreign currencies and interest rate fluctuation for interest-bearing debts, and no derivative transactions are made at all for speculation purpose.

3) Details of risks involved in transaction:

For currency related matters, risks of exchange rate fluctuation are involved in transactions of forward exchange contract and currency swaps related. For interest rate related matters, risks of interest rate fluctuation are also involved in interest swaps transactions.

Both in currency and interest rate related matters, it is our judgement that there are almost no risks involved in terms of breach of contract by counterparties, so-called credit risks, because counterparties are domestic banks with high credit-rating.

4) Risk management system of transactions:

Derivative transactions are executed after obtaining approval from odd man and managed by our Accounting Department in accordance with "Internal rules on handling and risks of derivative transactions," which stipulates transaction authorization, transaction authorization amount, etc.

2. Matters related to transaction market value, etc:

There are no relevant matters.

Although exchange contract transactions, currency swaps transactions and interest rate swaps transactions are executed, they are excluded from the "Notes" since hedge accounting is adopted.

(Retirement benefits)

Year ended October 31, 2004

1. Outline of retirement benefit system adopted:

Fixed benefit type "Tax Qualified Pension Plan" system is adopted by our group, with exception of some consolidated subsidiary companies.

2. Retirement benefit liabilities:

1) Retirement benefit liabilities	¥3,048,017,000
2) Unrecognized mathematical calculation difference	322,523,000
3) Retirement benefit trust assets	479,149,000
4) Pension assets	2,269,167,000
Balance	(22,823,000)
5) Advance pension costs	51,350,000
6) Retirement benefit reserves	<u>28,527,000</u>

3. Retirement benefit costs:

1) Employment costs	¥155,334,000
2) Interest costs	54,009,000
3) Expected investment profits	(29,657,000)
4) Processed amount of mathematical calculation difference	58,173,000
Total	<u>237,860,000</u>

4. Basis of retirement benefit liability calculation, etc.:

1) Periodic allocation method for anticipated retirement benefits	Period fixed amount standard
2) Discount rate	1.75%
3) Expected investment profits	1.50%
4) Number of years for processing mathematical calculation difference	10 years

Costs are processed by fixed amount method in succeeding fiscal term based on certain number of years within employees' average remaining length of employment at time of occurrence.

(Tax effect accounting)

Year ended October 31, 2004

1. Breakdown of deferred tax assets and deferred tax liabilities by main causes of occurrence:

(Deferred tax assets)	
Denial on retirement benefit costs	¥126,215,000
Denial on unpaid bonus	304,603,000
Denial on inventory assets appraisal loss	29,670,000
Denial on excess amount of depreciation	199,000
Denial on investment securities appraisal loss	62,384,000
Denial on reserves of director's retirement allowances	97,658,000
Amount exceeding limit of doubtful accounts transferred	47,340,000
Unpaid legal welfare expenses	23,923,000
Denial on unpaid business taxes	54,528,000
Depletion loss	29,871,000
Others	117,398,000
Sub total of deferred tax assets	893,795,000
Valuation reserves	(18,870)
Total deferred tax assets	<u>¥874,924,000</u>
(Deferred tax liabilities)	
Compressed reserves for fixed assets	(23,839,000)
Difference of appraisal loss on other securities	(80,179,000)
Total deferred tax liabilities	<u>(¥104,018,000)</u>
Net of deferred tax assets	<u>¥770,905,000</u>

2. Breakdown of main items causing difference between legal effective tax rate and contribution percentage of corporate tax, etc. after adopting tax effective accounting:

Legal effective tax rate	41.8%
(adjustment)	
Items not to be entered under losses permanently such as expense accounts, etc.	2.7%
Residential tax on per capita basis	1.0%
Items not to be entered under profits permanently such as dividends earned, etc.	(1.6%)
Loss carry-forward not recognizing deferred tax assets	3.8%
Reduction adjustment of term-end deferred tax assets due to tax rate change	0.8%
Others	3.5%
Contribution percentage of corporate taxes, etc. after adopting tax effective accounting	52.0%

(Segment information)

1. Segment by type of business:

Year ended October 31, 2004 (Thousands of yen)

	Machinery mfg & sales	Chemical products sales	Total	Deletion or total company	Consolidated
I. Sales and operating profits:					
Sales					
(1) Sales to unaffiliated customers	11,184,809	34,366,751	45,551,561	-	45,551,561
(2) Internal sales among segments or amount transferred	-	-	-	-	-
Total	11,184,809	34,366,751	45,551,561	-	45,551,561
Operating costs	10,539,799	33,300,456	43,840,255	-	43,840,255
Operating profits	645,010	1,066,295	1,711,306	-	1,711,306
II. Assets, depreciation costs, depletion loss and capital expenditures					
Assets	7,618,163	17,892,862	25,511,025	3,210,590	28,721,616
Depreciation costs	193,719	160,673	354,392	-	354,392
Depletion loss	-	-	-	73,939	73,939
Capital expenditures	206,049	199,061	405,110	-	405,110

(Notes)

- Business classification is by aggregate sales classification.
- Main products and goods in each business:
 - Machinery manufacturing & sales: various type of centrifuges, other machinery
 - Chemical products sales: Synthetic resin, inorganic materials, other chemical products
 - Of the assets in the current consolidated fiscal term, the amount of the total company assets included in deletion or total company items is ¥3,210,590,000. The main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.

2. Segment by location:

Year ended October 31, 2004 (Thousands of yen)

	Japan	Asia	Total	Deletion or total company	Consolidated
I. Sales and operating profits:					
Sales					
(1) Sales to unaffiliated customers	35,871,558	9,680,002	45,551,561	-	45,551,561
(2) Internal sales among segments or amount transferred	128,672	-	128,672	(128,672)	-
Total	36,000,230	9,680,002	45,680,233	(128,672)	45,551,561
Operating costs	34,505,990	9,340,671	43,846,662	(6,406)	43,840,255
Operating profits	1,494,240	339,331	1,833,571	(122,265)	1,711,306
II. Assets	23,714,612	1,945,890	25,660,502	3,061,113	28,721,616

(Notes)

- Included in Asia are four countries, China, Korea, Taiwan and Indonesia.
- Of the assets in the current consolidated fiscal term, the amount of the total company assets included in deletion or entire company items is ¥3,210,590,000. Main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.

3. Overseas sales:

Year ended October 31, 2004

(Thousands of yen)

	Asia	Other regions	Total
I. Overseas sales	12,001,679	321,613	12,323,292
II. Consolidated sales			45,551,561
III. Percentage of overseas sales for consolidated sales (%)	26.4	0.7	27.1

(Notes)

1. Classification of countries and regions is based on geographical proximity.
2. Main countries or regions included in each classification:
 - (1) Asia...China, Korea, Taiwan, Indonesia
 - (2) Other regions...USA, Europe
3. Overseas sales are the sales for countries or regions other than Japan by our company or consolidated subsidiary companies.

(Transaction with related party)

Year ended October 31

Subsidiaries etc.

Attribute	Name	Address	Capital or equity (¥1,000)	Description of business or occupation	Percentage of voting right (%)	Relation		Details of transaction	Transaction amount (¥1,000)	Title of account	Term-end outstanding balance (¥1,000)
						Interlocking directors	De facto relation				
Subsidiary	Tomoe Butsuryu	Shinagawa-ku, Tokyo	30,000	Cargo transportation, storage handling	Direct 100.0	3	Entrusted logistics of our products and goods	Entrusted logistics	126,797	Accrued amount payable	9,057
Subsidiary	Tomoe Wines & Spirits	Chuo-ku, Tokyo	30,000	Sales of imported alcoholic beverage	Direct 100.0	4	Sales of our goods	Sales of products	792,610	Accrued amount payable	231,101

(Note) No consumption tax, etc. are included in transaction amount but included in term-end outstanding balance.

(Trade terms and policy for making decision on trade terms, etc.)

- (1) Purchase price and selling price of goods and other trade terms are negotiated individually taking market price into consideration and decided in a same manner as other general transactions with other parties having no affiliation with us.
- (2) Operation commission fee and other trade terms are negotiated individually taking market price and necessary costs into consideration and decided in a same manner as other general transactions with other parties having no affiliation with us.

5. Situation of manufacturing, order receiving and sales:

(1) Results of manufacturing:

Results of manufacturing by type of segment in the current consolidated fiscal term are as follows:

Business by type of segment	Output (Thousands of yen)	Year-on-year comparison (%)
Machinery manufacturing	10,881,127	7.9
	(3,298,510)	(60.4)
Total	<u>10,881,127</u>	<u>7.9</u>
	<u>(3,298,510)</u>	<u>(60.4)</u>

(Notes)

1. Amounts are based on selling price.
2. Output for overseas included in total output is shown in parenthesis.
3. No consumption tax is included in the above amount.

(2) Order receiving:

Results of order receiving by type of segment in the current consolidated fiscal term are as follows:

Classification	Amount of orders received (Thousands of yen)	Year-on-year comparison (%)	Order backlog (Thousands of yen)	Year-on-year comparison (%)
Machinery mfg & sales	12,497,012	31.9	6,440,303	35.2
	(3,346,920)	(11.8)	(1,722,594)	(2.7)
Total	<u>12,497,012</u>	<u>31.9</u>	<u>6,440,303</u>	<u>35.2</u>
	<u>(3,346,920)</u>	<u>(11.8)</u>	<u>(1,722,594)</u>	<u>(2.7)</u>

(Notes)

1. Amount of order received for overseas included in total amount of order received is shown in parenthesis.
2. No consumption tax is included in the above amount.

(3) Results of sales:

Results of sales by type of segment in the current consolidated fiscal term are as follows:

Business by type of segment	Sales (Thousands of yen)	Year-on-year comparison (%)
Machinery manufacturing & sales	11,184,809	5.1
	(3,312,134)	(59.4)
Chemical products sales	34,366,751	14.6
	(9,011,158)	(26.4)
Total	<u>45,551,561</u>	<u>12.1</u>
	<u>(12,323,292)</u>	<u>(33.8)</u>

(Notes)

1. Export sales included in total sales are shown in parenthesis.
2. No consumption tax is included in the above amount.