

Consolidated Financial Results for the First Three Months Ended January 31, 2006

Date: March 1, 2006
 Company: Tomoe Engineering Co., Ltd. and Subsidiaries
 (Web Site: http://www.tomo-e.co.jp/index_e.html)
 Stock exchange listing: 1st Section, Tokyo Stock Exchange
 Head Office: 9-2, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan
 President: Hideaki Fukuma
 Investor Relations Contacts: Koichi Karita, Director, Finance and Management Planning, Tel: (03) 3271-4056

Financial Highlights for the First Three Months Ended January 31, 2006:

1. Notes to Consolidated Financial Information

- (1) Adoption of simplified accounting method: None
 (2) Change in accounting policies: None
 (3) Change in scope of consolidated and application of the equity method: None

2. Consolidated Financial Data for the First Quarter Ended January 31, 2006

(1) Results of Operation (Consolidated)

3-month periods ended January 31	2006	2005	Millions of yen
			Yr. ended Oct. 31, 2005
Sales	10,229	10,453	46,935
Operating income	29	(75)	1,917
Recurring profit	54	(86)	1,955
Net income	79	(116)	1,139
Net income (loss) per share	¥7. ⁹⁷	(¥11. ⁶⁷)	¥109. ⁹⁹

Quantitative information related to the operation results:

In **Machinery & Equipment business**, sales for the 1st quarter are ¥1,233 million dipping from the corresponding period of previous year with sales of some projects being delayed to the 2nd quarter, etc. However, operating loss is reduced to ¥274 million from the corresponding period of previous year as a result of reduction of business expenses. As for **Chemical Products business**, although businesses related to Plastics, Industrial Materials and Fine Chemicals showed steady performance, Electronic Materials business marked considerable decline due to termination of surface mounting business in China. As a result, sales for the 1st quarter are ¥8,996 million slightly dipping from the corresponding period of previous year. However, operating income is increased to ¥304 million owing to reduction of business expenses.

As a result, **consolidated business performance for the current 1st quarter** has sales of ¥10,229 million, operating income of ¥29 million, recurring profit of ¥54 million and quarterly net income of ¥79 million.

(2) Financial Condition (Consolidated)

3-month periods ended January 31	2006	2005	Millions of yen
			Yr. ended Oct. 31, 2005
Assets (A)	27,972	27,701	27,208
Shareholder's equity (B)	14,246	12,864	14,336
Shareholder's equity/asset ratio (B/A)	50.9%	46.4%	52.7%
Shareholder's equity per share	¥1,427. ⁶⁰	¥1,289. ¹²	¥1,432. ³⁹

[Cash Flows]

3-month periods ended January 31	2006	2005	Millions of yen
			Year ended Oct. 31, 2005
Net cash provided (used) by operating activities	(1,124)	(938)	468
Net cash provided (used) in investing activities	(30)	(52)	(257)
Net cash provided (used) by financing activities	901	1,029	(459)
Consolidated cash and cash equivalent (period-end)	1,274	1,747	1,511

Quantitative information related to the Financial Condition:

Total assets as of the end of 1st quarter of the current consolidated fiscal year are ¥27,972 million, increased by ¥270 million from the end of previous consolidated fiscal year owing mainly to increase of inventory assets. Shareholders' equity is ¥14,246 million, increased by ¥1,381 million from the end of previous consolidated fiscal year. Shareholder's equity/total asset ratio has marked 50.9%.

As to cash flow, outstanding balance of cash and cash equivalent as of the end of 1st quarter of the current consolidated fiscal year are ¥1,274 million, decreased by ¥473 million from the end of previous consolidated fiscal year.

Cash flow from business activities:

Although we have quarterly recurring profit of ¥112 million and accounts receivable are reduced, we had spending of ¥1,124 million due to increase of inventories, payment of corporate tax, etc.

Cash flow from investment activities:

We had spending of ¥30 million with expenditures for acquisition of tangible fixed assets, etc.

Cash flow from financing activities:

We had income of ¥901 million owing to short-term debts, etc.

(3) Results of Operation (Unconsolidated)

3-month periods ended January 31	2006	2005	Millions of yen
			Yr. ended Oct. 31, 2005
Sales	8,380	8,052	39,978
Operating income	(100)	(184)	1,475
Recurring profit	(43)	(149)	1,608
Net income	10	(153)	888
Net income (loss) per share	¥1. ⁰⁶	(¥15. ³⁶)	¥84. ⁸⁴

Quantitative information related to the operation results (Unconsolidated): Omitted.

(4) Financial Condition (Unconsolidated)

3-month periods ended January 31	2006	2005	Millions of yen
			Yr. ended Oct. 31, 2005
Assets (A)	24,644	24,482	24,142
Shareholder's equity (B)	13,634	12,627	13,823
Shareholder's equity/asset ratio (B/A)	55.3%	51.6%	57.3%
Shareholder's equity per share	¥1,366. ²⁸	¥1,265. ³⁵	¥1,381. ⁰⁵

Quantitative information related to the operation results (Unconsolidated): Omitted.

*Attached documents: Consolidated balance sheet, Statements of consolidated income, etc.

(Concluded)

(Reference):**Earning Projections (Consolidated) for the Year ending October 31, 2006** Millions of yen

	Sales	Recurring profit	Net income
Semiannual	24,390	1,540	860
Full business year	46,880	2,000	1,140

(Reference: Expected net income per share through the full business year: ¥114.²⁴)

Earning Projections (Unconsolidated) for the Year ending October 31, 2006 Millions of yen

	Sales	Recurring profit	Net income
Semiannual	22,360	1,400	770
Full business year	42,770	1,760	970

(Reference: Expected net income per share through the full business year: ¥97.²⁰)

Quantitative information related to the earning projections for the fiscal year ending October 31, 2006: The earning projections for the semiannual and the full fiscal year ending October 31, 2006 remain unchanged from initial expectation at this moment. The above projections are based on the information available on the day of this announcement. Actual business results may show different figures from these projections depending upon future factors.

Consolidated Financial Statement

1-(1) Balance Sheets (Consolidated)

Assets	Thousands of yen		
	3month periods ended Jan. 31, 2006	Jan. 31, 2005	Year ended Oct. 31, 2005
Current assets			
Cash and deposits	1,374,661	1,847,757	1,611,339
Trade receivables	14,404,524	14,553,967	15,570,146
Inventories	5,886,361	5,190,829	4,074,197
Deferred tax assets	508,359	417,390	505,720
Other current assets	580,048	366,327	451,567
Allowance for doubtful receivables	(73,010)	(138,718)	(130,696)
Total current assets	22,680,945	22,237,554	22,082,276
Fixed assets			
Tangible fixed assets			
Buildings	2,162,749	2,109,263	2,153,181
Accumulated depreciation	(1,249,727)	(1,151,844)	(1,223,462)
Net	913,022	957,419	929,718
Machinery, equipment & vehicles	3,205,834	2,998,442	3,170,205
Accumulated depreciation	(2,299,368)	(2,104,737)	(2,241,297)
Net	906,465	893,704	928,907
Land	975,451	975,451	975,451
Other fixed assets	984,696	977,728	976,745
Accumulated depreciation	(846,023)	(821,798)	(847,350)
Net	136,673	155,930	129,394
Total tangible fixed assets	2,931,613	2,982,506	2,963,472
Intangible fixed assets	13,392	17,288	14,268
Investments and others			
Investments in securities	1,508,764	1,051,978	1,343,744
Guarantee deposits	359,667	554,683	359,918
Deferred tax assets	87,170	313,906	149,938
Financial derivative	246,560	0	143,792
Financial derivative loss	0	366,656	0
Other investments	231,900	301,001	240,005
Allowance for doubtful receivables	(87,997)	(124,340)	(88,610)
Total investment and others	2,346,066	2,463,885	2,148,788
Total fixed assets	5,291,072	5,463,679	5,126,529
Total assets	27,972,018	27,701,234	27,208,805

Liabilities and Shareholder's Equity	Thousands of yen		
	3 month periods ended		Year ended
	Jan. 31, 2006	Jan. 31, 2005	Oct. 31, 2005
Current liabilities			
Trade-payables	7,815,464	8,741,163	7,316,526
Short-term debt	3,503,724	3,572,758	2,320,060
Account payable-others	694,666	520,929	801,507
Accrued income tax	27,930	8,243	313,983
Advance from customers	78,177	188,065	134,734
Accrued employee's bonus	344,301	324,895	11,483
Accrued officer's bonus	11,500	0	0
Other current liabilities	196,519	201,593	1,049,580
Total current liabilities	12,672,283	13,557,648	11,947,877
Long-term liabilities			
Long-term debt	450,000	644,019	450,000
Accrued pension and severance liabilities	22,197	20,172	22,788
Officer's retirement allowance	202,962	161,982	193,910
Financial derivative	246,560	0	143,792
Financial derivative loss	0	366,656	0
Total long-term liabilities	921,720	1,192,830	810,490
Total liabilities	13,594,004	14,750,479	12,758,368
Minority interests	131,576	85,817	114,324
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	11,651,908	10,607,767	11,863,794
Unrealized gains and losses on marketable securities and investments	387,358	141,457	295,905
Foreign currency translation adjustment	25,046	(66,780)	(5,744)
Issued shares reacquired	(362,496)	(362,126)	(362,462)
Total shareholder's equity	14,246,437	12,864,937	14,336,113
Total	27,972,018	27,701,234	27,208,805

1-(2) Statements of Income (Consolidated)

3-month periods ended January 31	Thousands of yen		
	2006	2005	Year ended Oct. 31, 2005
Sales	10,229,908	10,453,571	46,935,306
Cost of sales	8,675,104	8,960,871	38,802,261
Gross profit	1,554,803	1,492,700	8,133,044
Selling, general and administrative	1,525,173	1,568,653	6,215,744
Operating income	29,630	(75,952)	1,917,300
Other income			
Interests	996	4,357	9,185
Dividends	3,673	2,484	33,720
Rents	12,056	4,561	25,531
Foreign exchange gains	22,344	0	8,393
Sundry	9,840	9,237	59,264
Other income total	48,911	20,641	136,094
Other expenses			
Interests	16,426	9,517	55,860
Discounts on bills of exchange	817	315	1,290
Commitment fee	0	0	20,019
Foreign exchange losses	0	15,602	0
Sundry	6,818	6,105	20,831
Other expense total	24,062	31,541	98,001
Recurring profit	54,479	(86,853)	1,955,393
Extraordinary gains			
Realized gains on property and equipment	982	0	2,118
Reversal of allowance for doubtful receivables	57,977	0	0
Extraordinary gains total	58,959	0	2,118
Extraordinary losses			
Written-off losses on property and equipment	1,115	241	2,052
Provision for allowance for doubtful receivables	173	0	1,390
Extraordinary losses total	1,288	241	3,442
Income before income taxes	112,150	(87,094)	1,954,068
Income taxes			
Current	24,402	4,568	804,490
Deferred	(2,759)	23,854	(8,448)
Income taxes total	21,643	28,423	769,041
Losses on minority interests	10,980	965	18,483
Income from consolidated operations	79,526	(116,483)	1,139,542

1-(3) Retained Earnings (Consolidated)

3-month periods ended January 31	Thousands of yen		
	2006	2005	Year ended Oct. 31, 2005
Surplus at opening of the period	<u>1,483,410</u>	<u>1,483,410</u>	<u>1,483,410</u>
Balance, beginning of year			
Retained earnings	11,863,794	10,995,414	10,995,414
Net income (loss)	79,526	0	1,139,542
Deduct:			
Cash	0	116,483	0
Dividend paid	249,482	229,532	229,532
Officer's bonuses	41,930	41,630	41,630
<Including Corporate Auditor's bonuses>	<11,250>	<10,290>	<10,290>
Total	<u>291,412</u>	<u>387,646</u>	<u>271,162</u>
Balance, end of the 6-month period and the year	<u>11,651,908</u>	<u>10,607,767</u>	<u>11,863,794</u>

1-(4) Statements of Cash Flows (Consolidated)

	Thousands of yen		
3-month periods ended January 31	2006	2005	Year ended Oct 31, 2005
Operating activities			
Net income before income taxes	112,150	(87,094)	1,954,068
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	87,173	75,321	319,947
Increase (decrease) in accrued employees' bonuses	332,817	324,895	11,483
Increase (decrease) in accrued officers' bonuses	11,500	0	0
Increase (decrease) in accrued pension and severance liabilities	(590)	(8,354)	(5,738)
Increase (decrease) in officer's retirement allowance	9,052	(79,747)	(47,820)
Increase (decrease) in allowance for doubtful receivables	(58,298)	53,388	9,636
Interest and dividend income	(4,670)	(6,842)	(42,906)
Interest expense	16,426	9,517	55,860
Foreign exchange loss/profit	(8,834)	(2,045)	(20,841)
Realized gains on marketable securities	(1)	0	0
Realized losses on property and equipment	(982)	0	(2,118)
Realized losses on investment securities	1,115	241	2,052
Increase (decrease) in trade receivables	1,254,035	2,507,585	1,554,623
Increase (decrease) in inventories	(1,766,445)	(1,444,251)	(272,883)
Increase (decrease) in purchase liabilities	407,569	(544,467)	(2,045,347)
Increase (decrease) in trade payables	(112,840)	(140,803)	134,228
Increase (decrease) in advances from customers	(56,556)	(38,557)	(91,888)
Increase (decrease) in consumption tax, etc.	(57,655)	3,493	62,965
Officer's bonuses	(41,930)	(41,630)	(41,630)
Others	(952,169)	(726,941)	172,605
Sub total	(829,135)	(146,292)	1,706,297
Interests and dividends received	4,681	7,367	43,774
Interests paid	(14,710)	(6,983)	(49,747)
Income taxes paid	(285,190)	(792,968)	(1,231,856)
Net cash provided (used) by operating activities	(1,124,354)	(938,876)	468,468
Investing activities			
Increase in time deposits	0	0	(100,000)
Decrease in time deposits	0	0	100,000
Expenditures for properties and equipment	(32,089)	(61,185)	(269,267)
Proceeds from sales of properties and equipment	1,165	0	10,047
Acquisition of investments	(10,802)	(3,294)	(33,406)
Proceeds from sales of investments	4	4	0
Collection of loans receivable	11,402	14,944	45,651
Increase in loans receivable	(630)	(1,220)	(5,370)
Decrease (increase) in guarantee deposits	800	(2,399)	(6,614)
Decrease in other investments	0	1,096	1,120
Net cash provided (used) in investing activities	(30,149)	(52,058)	(257,838)
Financing activities			
Increase (decrease) in short-term debt	1,151,426	1,262,289	(23,982)
Decrease in long-term debt	0	(3,253)	(205,671)
Reacquisition of issued shares of stocks	(34)	(174)	(510)
Cash dividends paid	(249,482)	(229,532)	(229,532)
Net cash provided (used) in financing activities	901,910	1,029,327	(459,697)

Cash and cash equivalents

Effect of exchange rate changes	15,915	(25,641)	25,400
Increase (decrease) in cash and cash equivalents	(236,678)	12,750	(223,667)
Cash and cash equivalents at beginning of year	1,511,339	1,735,006	1,735,006
Cash and cash equivalents at end of the 1st qtrs (fiscal yr)	<u>1,274,661</u>	<u>1,747,757</u>	<u>1,511,339</u>

2. Segment information (Consolidated)

(Segment by type of business)

3-month period ended January 31, 2006

Thousands of yen

	Machinery & Equipment Business	Chemical Products Business	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	1,233,460	8,996,448	10,229,908	-	10,229,908
(2) Internal sales among segments or amount transferred	-	-	-	-	-
Total	1,233,460	8,996,448	10,229,908	-	10,229,908
Operating costs	1,508,032	8,692,245	10,200,278	-	10,200,278
Operating profits	(274,572)	304,202	29,630	-	29,630

3-month period ended January 31, 2005

Thousands of yen

	Machinery & Equipment Business	Chemical Products Business	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	1,290,403	9,163,168	10,453,571	-	10,453,571
(2) Internal sales among segments or amount transferred	-	-	-	-	-
Total	1,290,403	9,163,168	10,453,571	-	10,453,571
Operating costs	1,609,923	8,919,601	10,529,524	-	10,529,524
Operating income	(319,520)	243,567	(75,952)	-	(75,952)

Year ended Oct. 31, 2005

Thousands of yen

	Machinery & Equipment Business	Chemical Products Business	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	12,600,789	34,334,516	46,935,306	-	46,935,306
(2) Internal sales among segments or amount transferred	-	-	-	-	-
Total	12,600,789	34,334,516	46,935,306	-	46,935,306
Operating costs	11,627,905	33,390,100	45,018,005	-	45,018,005
Operating income	972,883	944,416	1,917,300	-	1,917,300

(Notes)

1. Business classification is by aggregate sales classification.
2. Main products and goods in each business:
 - (1) Machinery & Equipment Business: Various type of centrifuges and other machinery
 - (2) Chemical Products Business: Synthetic resin, inorganic materials and other chemical products

(Segment by location)

3-month period ended January 31, 2006

Thousands of yen

	Japan	Asia	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	8,308,335	1,921,572	10,229,908	-	10,229,908
(2) Internal sales among segments or amount transferred	83,187	194	83,382	(83,382)	-
Total	8,391,523	1,921,767	10,313,290	(83,382)	10,229,908
Operating costs	8,454,292	1,829,966	10,284,258	(83,980)	10,200,278
Operating income	(62,768)	91,801	29,032	598	29,630

3-month period ended. January 31, 2005

Thousands of yen

	Japan	Asia	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	7,898,943	2,554,628	10,453,571	-	10,453,571
(2) Internal sales among segments or amount transferred	36,081	6,411	42,493	(42,493)	-
Total	7,935,024	2,561,040	10,496,065	(42,493)	10,453,571
Operating costs	8,068,952	2,500,522	10,569,474	(39,949)	10,529,524
Operating income	(133,927)	60,517	(73,409)	(2,543)	(75,952)

Year ended Oct. 31, 2005

Thousands of yen

	Japan	Asia	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	35,799,296	8,136,009	46,935,306	-	46,935,306
(2) Internal sales among segments or amount transferred	233,038	25,253	258,291	(258,291)	-
Total	39,032,334	8,161,262	47,193,597	(258,291)	46,935,306
Operating costs	37,413,645	7,879,101	45,292,746	(274,740)	45,018,005
Operating income	1,618,689	282,161	1,900,850	(16,449)	1,917,300

(Notes)

Asia: China, Korea, Taiwan, and Indonesia (Total 4 countries)

Unconsolidated Financial Statement

3-(1) Balance Sheets (Unconsolidated)

Assets	Thousands of yen		
	3month period ended Jan. 31, 2006	Jan. 31, 2005	Year ended Oct. 31, 2005
Current assets			
Cash and deposits	861,323	945,546	1,093,205
Trade notes receivable	4,356,407	4,838,639	4,594,133
Trade receivables	8,352,106	8,277,142	9,496,653
Inventories	4,734,476	4,297,853	3,066,460
Deferred tax assets	463,561	397,887	463,561
Other current assets	666,223	441,450	436,536
Allowance for doubtful receivables	(73,225)	(142,265)	(131,271)
Total current assets	19,360,871	19,056,254	19,019,279
Fixed assets			
Tangible fixed assets			
Buildings	785,825	831,635	797,080
Machinery, equipment & vehicles	594,351	562,993	617,049
Land	931,080	931,080	931,080
Other fixed assets	126,768	139,150	125,918
Total tangible fixed assets	2,438,025	2,464,860	2,471,129
Intangible fixed assets	12,864	16,759	13,740
Investments and others			
Investments in securities	1,457,264	1,000,478	1,292,244
Investments in affiliates	104,363	104,363	104,363
Guarantee deposits	343,702	534,253	346,074
Deferred tax assets	69,156	293,930	131,924
Financial derivatives	246,560	0	143,792
Financial derivative loss	0	366,656	0
Other investments	700,058	769,235	708,163
Allowance for doubtful receivables	(87,997)	(124,340)	(88,610)
Total investment and others	2,833,108	2,944,578	2,637,951
Total fixed assets	5,283,997	5,426,198	5,122,820
Total assets	24,644,868	24,482,452	24,142,100

Liabilities and Shareholder's Equity	Thousands of yen		
	3month period ended Jan. 31, 2006	Jan. 31, 2005	Year ended Oct. 31, 2005
Current liabilities:			
Notes-payable	1,251,900	2,025,186	1,798,929
Trade-payables	5,097,503	4,912,625	4,598,474
Short-term debt	2,490,000	2,490,000	1,020,000
Long-term debt to be repaid within 1 year	180,000	180,000	180,000
Account payable-others	568,377	416,186	705,494
Accrued expense	0	0	723,718
Accrued income tax	8,002	6,300	258,908
Advances from customers	39,450	182,850	56,108
Accrued employee's bonus	302,910	292,500	0
Accrued officers' bonus	11,500	0	0
Other current liabilities	151,689	182,302	178,717
Total current liabilities	10,101,334	10,687,951	9,520,351
Long-term liabilities:			
Long-term debt	450,000	630,000	450,000
Accrued pension and severance liabilities	9,536	8,134	10,175
Officer's retirement allowance	202,962	161,982	193,910
Financial derivatives	246,560	0	143,792
Financial derivatives profit	0	366,656	0
Total long-term liabilities	909,059	1,166,774	797,878
Total liabilities	11,010,393	11,854,725	10,318,229
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:			
Earned Reserve	230,000	230,000	230,000
Unappropriate reserve	10,583,121	9,885,168	9,885,168
Unappropriated profit	251,871	188,607	1,230,638
Retained earnings total	11,064,992	10,303,776	11,345,807
Unrealized gains and losses on marketable securities and investments	387,358	141,457	295,905
Issued shares reacquired	(362,496)	(362,126)	(362,462)
Total shareholder's equity	13,634,475	12,627,727	13,832,870
Total	24,644,868	24,482,452	24,142,100

3-(2) Statements of Income (Unconsolidated)

3-month periods ended January 31	Thousands of yen		
	2006	2005	Year ended Oct. 31, 2005
Sales	8,380,254	8,052,398	39,978,910
Cost of sales	7,079,278	6,786,528	32,795,969
Gross profit	1,300,975	1,265,870	7,182,940
Selling, general and administrative	1,401,581	1,450,058	5,707,038
Operating income	(100,605)	(184,188)	1,475,901
Other income	73,453	60,848	222,700
Other expenses	15,925	26,225	90,201
Recurring profit	(43,077)	(149,565)	1,608,400
Extraordinary gains	59,318	0	0
Extraordinary losses	1,288	241	3,233
Income before income taxes	14,952	(149,806)	1,605,167
Income taxes			
Current	4,355	3,643	727,458
Deferred	0	0	(10,872)
Income taxes total	4,355	3,643	716,585
Income from consolidated operations	10,597	(153,449)	888,581
Profit brought forward	241,273	342,057	342,057
Unappropriated profit	251,871	188,607	1,230,638