

Financial Results for the Fiscal Year Ended October 31, 2006 (Consolidated)

Date: December 11, 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
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 Date of resolution of Board of Directors: December 11, 2006

1. Consolidated Financial Results (November 1, 2005 – October 31, 2006)

(1) Results of Operation (Consolidated)

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

Years ended October 31	2006		2005	
	Millions of yen	Change from the previous year (%)	Millions of yen	Change from the previous year (%)
Sales	47,331	0.8	46,935	3.0
Operating income	2,110	10.1	1,917	12.0
Recurring profit	2,222	13.7	1,955	13.7
Net income	1,267	11.2	1,139	53.0
Net income per share	¥127.02		¥109.99	
Return on equity	8.5%		8.3%	
Return on assets	4.4%		4.2%	
Return on sales	2.7%		2.4%	

Notes:

- (1) Equity in earnings (loss) of unconsolidated subsidiaries and affiliates during fiscal years ended October 31, 2006 and 2005 were none.
- (2) The average numbers of outstanding shares (consolidated) during fiscal years ended October 31, 2006 and 2005 were 9,979,218 and 9,979,460 respectively.
- (3) There is no change in accounting methods.

(2) Financial Condition (Consolidated)

Years ended October 31	Millions of yen	
	2006	2005
Total assets (A)	28,808	27,208
Net assets (B)	15,717	14,336
(B) / (A)	54.0%	52.7%
Net assets per share	¥1,559.16	¥1,432.39

Note: The numbers of outstanding shares (excluding the number of treasury stocks) as of the year-end of the fiscal years ended October 31, 2006 and 2005 were 9,979,192 and 9,979,285 respectively.

(3) Cash Flows (Consolidated)

Years ended October 31	Millions of yen	
	2006	2005
Net cash provided by operating activities	883	468
Net cash used in investing activities	(336)	(257)
Net cash used in financing activities	(838)	(459)
Consolidated cash and cash equivalent, October 31	1,235	1,511

(4) Consolidation and Application of the Equity Method

The number of consolidated subsidiaries is 6.
There were no subsidiaries accounted for by the equity method.

(5) Change in Consolidation and Application of the Equity Method

New consolidated subsidiary: 1 Excluded consolidated subsidiary: 1

2. Prospects for the Year ending October 31, 2007

	Millions of yen	
	6 months ending April 30, 2007	The year ending October 31, 2007
Sales	23,900	48,000
Operating income	1,400	2,410
Recurring profit	1,400	2,400
Net income	750	1,300

We expect that consolidated net income per share for the year ending October 31, 2007 will be ¥130.27. Above projections are based on the information available on the day of this announcement. Actual results may deviate from these projections depending on future factors.

For details, see page 5.

1. Tomoe Engineering and Companies

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

Machinery & Equipment Business:

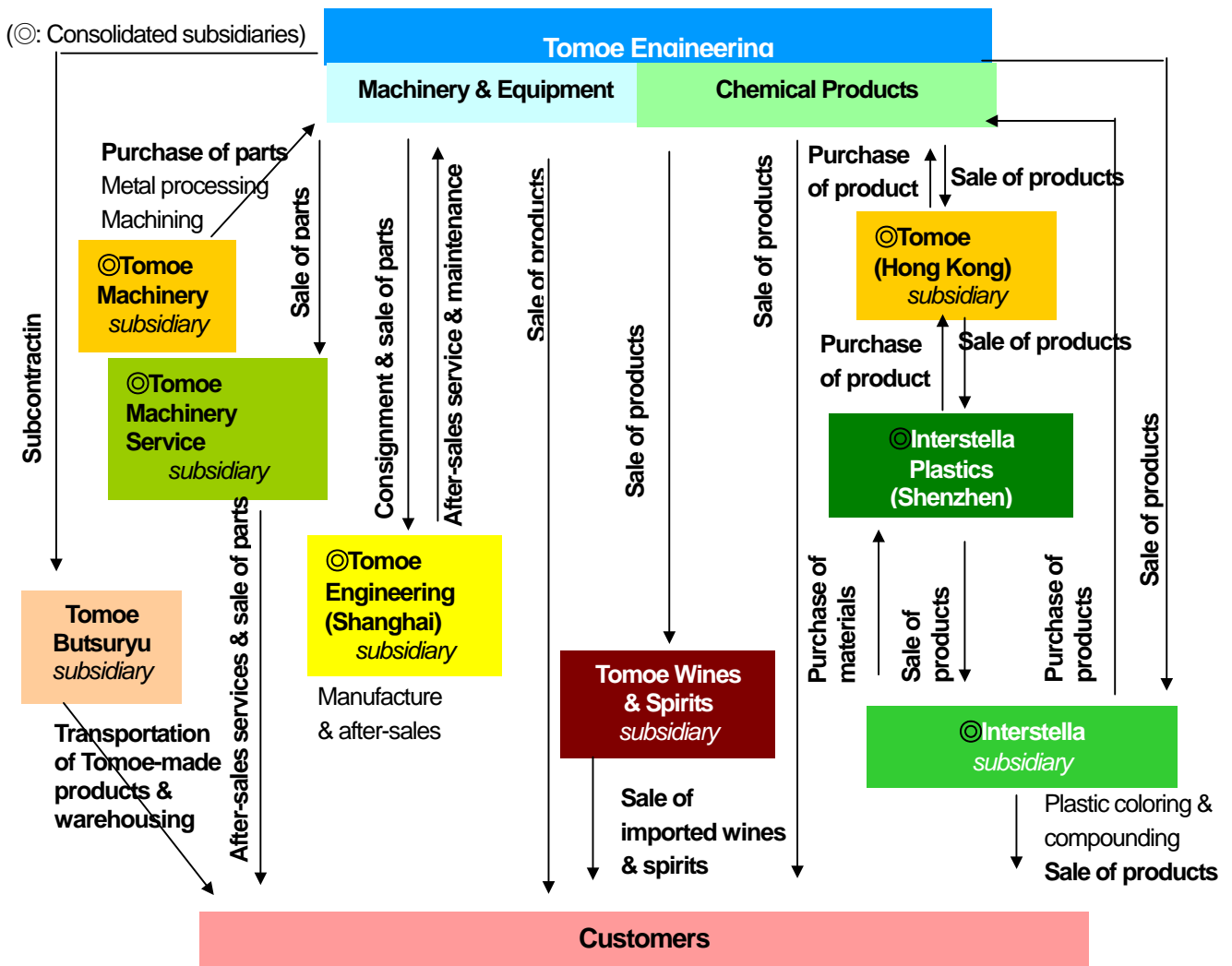
Tomoe Engineering manufactures and distributes solid bowl centrifuges. Its subsidiary Tomoe Machinery Service provides centrifuge users with after-sales services as well as parts. Its subsidiary Tomoe Machinery undertakes machining and sheet-metal processing of centrifuge. Tomoe Engineering consigns manufacture of the centrifuges and the after-sales service to its subsidiary Tomoe Engineering (Shanghai) that was established on May 1, 2006.

Chemical Products Business:

Interstella Plastics (Shenzhen) are engaged in coloring and compounding of plastic materials. Interstella is an investing company and also serves as a contact for purchasing and sales. Tomoe (Hong Kong) is functioning as central core for sales activity in China in Tomoe Group. Tomoe Wines & Spirits distributes wines and spirits imported by Tomoe Engineering. Tomoe Engineering (Suzhou) Co., Ltd. is no longer a subsidiary, as Tomoe has sold off its entire holding in the company in July 2006.

Other Businesses:

Tomoe Butsuryu subcontracts with the Company for transportation and warehousing.



2. Management Policy

(1) Basic management philosophy

Our basic management philosophy is to contribute to society and bring a better 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. Based on our basic management philosophy, we are engaged in the business of production and distribution of machinery centered on solid-liquid separation technology and import and distribution of distinctive raw materials for chemical industries.

(2) Basic policy on distribution of profits

We regard the distribution of profits to shareholders as one of our most important management goals. With our eyes set on enhancing the corporate value of the entire group through accumulation of retained earnings, we have implemented measures to distribute profits to shareholders allowing for profit performance and a goal of maintaining a stable dividend, etc.

Based on this policy, a resolution was passed at the board of directors' meeting on June 12, 2006 to change from ordinary dividend of ¥15 to ¥20 per share for the fiscal year ending October 31, 2006. Expressing our hearty appreciations for our shareholders' support, we will present for consideration at the No. 77 annual shareholders meeting total dividend of ¥30 per share inclusive of ¥10 in commemoration of the 65th anniversary of our company in May 2006. Even after the enforcement of the Company Law, no particular change is planned in the number of dividend payments, etc.

(3) Mid and long term management strategy and tasks to be addressed

Tomoe Engineering and its group companies will continue to promote the establishment of stable profit structure for both Machinery & Equipment Business and Chemical Products Business and the reinforcement and intensification of corporate governance and compliance, which are among its top priorities under No. 7 Midterm Management Plan (3 years).

- Machinery & Equipment Business:

We will continue to pursue the development and marketing of new products, opportunities to exploit new market with emphasis on USA and China, and improvement of cost performance by rationalizing the production system. For China, we place top priority on steady launch of Tomoe Engineering (Shanghai) Co., Ltd. which was established in May this year. For USA, we will drive a focused and effective marketing through our distributors.

- Chemical Products Business:

At home, we will further reduce high-risk low-return business, and continuously develop high-value added products and accelerate penetration of such newly developed products into the market to strengthen our core business and increase exposure to high-tech area. In overseas market, we will strengthen activities in Huanan region in China with Tomoe Engineering (Hong Kong) Co., Ltd. as its core.

To promote management in compliance with the laws and advance corporate ethics, we have formed the Corporate Ethics Committee and made efforts to improve our corporate governance and compliance system. Furthermore, with respect to ISO14001 with which we have registered this year, we will continue to put our maximum efforts to EMS as an environmental friendly company.

(4) Parent company

As we do not have a parent company, no description will be provided.

3. Operating Results and Financial Condition

a. Operating results:

(1) General condition of the current consolidated fiscal year

The sales for the current fiscal year were 47,331 million yen, up 0.8% from the previous term, and the recurring profit was 2,222 million yen, up 13.7% from the previous term. The net income for the current fiscal year was 1,267 million yen, up 11.2% from the previous term.

Machinery & Equipment Business

Although the private sector performed relatively steadily, the overseas sector showed a lackluster performance led by the Chinese market. As a result, the sales for the current fiscal year were 12,117 million yen, down 3.8% from the previous term and the operating income was 850 million yen, down 12.5% from the previous term.

Chemical Products Business

The sales of organic raw materials increased substantially and the sales of advanced materials such as ceramics and nano-products were also strong. Although the sales of electronic materials decreased due to termination of the surface mounting business in China, the sales of industrial materials was strong helped by buoyant minerals for building material etc. and the sales of plastic-related materials advanced as a result of increased sales of plastics for automobiles and resin molding machines. As a result, the sales for the current fiscal year were 35,213 million yen, up 2.6% from the previous term and the operating income was 1,259 million yen, up 33.4% from the previous term.

All in all, Tomoe Engineering and its group companies had operating income of 2,110 million yen, up 10.1% from the previous fiscal year. Due to foreign currency gain and the reversal of allowance for doubtful accounts, the Company registered the recurring profit and net income as given above.

(2) Outlook for the next fiscal year (November 1, 2006~October 31, 2007)

Machinery & Equipment Business

Although the government and public sector will perform relatively slowly due to decline in machinery orders, overall sales will increase substantially as sales of overseas business will advance strongly helped by outstanding large project orders, and strong domestic demand is expected in the private sector.

Chemical Products Business

Sales of industrial materials, advanced materials, and electronic materials will remain strong, but sales of fine chemicals are expected to decrease due to discontinuation of some of its traded goods and sales of synthetic resins are expected to decrease due to loss of one commercial right. As a result, overall sales for Chemical Products Business are expected to show a slight decrease.

Based on the above, overall sales of Tomoe Engineering and its group companies are expected to be 48,000 million yen, up by 1.4% from the previous fiscal year and recurring profit be 2,400 million yen, up 8.0% from the previous fiscal year. Net income for the term is expected to be 1,300 million yen, up 2.6% from the previous fiscal year.

b. Financial condition:

Assets as of the end of the current consolidated fiscal year were increased by 1,599 million yen (5.9%) from the previous consolidated fiscal year. This increase was as a result of an increase in current assets by 1,169 million yen due to an increase in notes receivables and accounts receivables and inventories, and an increase in fixed assets by 429 million yen due to an increase in investments and other assets. Liabilities were increased by 332 million yen (2.6%) from the previous consolidated fiscal year due to the increase in bills payable, accounts payable, outstanding corporate taxes, etc. Net assets were increased by 1,017 million yen (7.1%) from shareholders' equity of the previous consolidated fiscal year due to the increase in retained earnings. As a result, shareholders' equity ratio as of the end of the current consolidated fiscal year was increased by 1.3 point to 54.0%.

With an increase in net income before adjustment of tax, etc. and in purchase liabilities, cash and cash equivalent were reduced by 275 million yen (18.2%) to 1,235 million yen as of the end of the current consolidated fiscal year due to the increase in accounts receivables, repayment of short-term borrowings, etc.

(Net cash provided by operating activities)

With an increase in net income before adjustment of tax, etc. and an increase in purchase liabilities, net cash provided by operating activities was increased by 415 million yen from the previous consolidated fiscal year to 883 million yen.

(Net cash used in investing activities)

Net cash used in investing activities was decreased by 78 million yen from the previous consolidated fiscal year to negative 336 million yen as a result of acquisition of tangible fixed assets etc.

(Net cash used in financing activities)

Net cash used in financing activities was reduced by 378 million yen from the previous consolidated fiscal year to negative 838 million yen as a result of repayment of short-term borrowings, etc.

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

(years ended October 31)	2002	2003	2004	2005	2006
Equity/assets ratio (%)	49.9	52.4	46.2	52.7	54.0
Share/assets ratio in current value (%)	23.3	27.6	34.1	63.9	53.8
Debt redemption years (years)	2.0	50.6	-	5.9	2.5
Interest coverage ratio (%)	12.3	0.9	-	9.4	13.5

(Notes)

Equity/assets ratio: Shareholders' equity/Total assets

Share/assets ratio: Market capitalization/Total assets

Debt redemption years: Interest-bearing debt/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities /Interest paid

* Each index is calculated based on the figures in the consolidated financial statements.

* Market capitalization is calculated as follows:

Closing share price at term end x number of shares outstanding at term end (exclusive of treasury stocks)

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

c. Business and other risks :

Outlined below are the key areas of business risks of our group that might have significant influence on investors' decision.

The following judgments are made at the end of the current consolidated fiscal year, although some forward-looking statements are contained.

(1) Seasonal change in operating results

Under present circumstances, business performance of our group tends to be more dependent on the results of the second quarter of our fiscal year. In the Machinery & Equipment Business, sales for government and other public offices account for higher percentage and such sales tend to be concentrated in the second quarter due to customers' budget implementation, etc. As a result, a little less than 40% of annual sales of Machinery & Equipment Business are made in the second quarter. However, since the sales of Chemical Products Business, which are relatively less affected by seasonal factors, account for higher percentage of our total sales, seasonal factors do not have significant effect on the total sales of our entire group.

On the other hand, our operating income tends to be skewed in the second quarter as the fixed costs in selling, general and administration costs are almost evenly borne through the year and the Machinery & Equipment Business sales are concentrated in the second quarter.

(2) Influence of exchange fluctuation

Exchange rate fluctuations may affect the value of our export and import transactions in foreign currencies after translation into yen. Operating results and financial condition of our group might be affected by these foreign currency transactions, although we make efforts to minimize exchange fluctuation risks by entering into foreign currency swaps and forward exchange contracts. Our group has overseas subsidiary companies and prepares financial statements in foreign currencies. In preparing consolidated financial statements, there is a risk associated with exchange fluctuation when converting into yen equivalent.

(3) Potential risks in overseas operations

Our group is engaged in marketing and manufacturing overseas, focusing on China and other Southeast Asian countries. Our group will monitor the local situation at all times and take appropriate actions. However, our group's operating results and financial condition might be affected by unforeseen circumstances arising from local legal restrictions, customs, etc.

(4) Risks involved in quality of manufactured products and commercial goods

The products of our group are manufactured by paying due attention based on systematic quality control. However, maintenance and repair or replacement might be required due to unforeseen troubles of relevant products. Also, since our group is not directly involved in manufacturing of many of imported raw materials, defects that our group is not directly associated with may occur and we might be obligated to cease sales and collect such materials. Although we are prepared to take prompt and appropriate actions to cope with the risks involved in quality of manufactured products and commercial goods, it may result in affecting our group's operating results and financial condition.

(5) Risks involved in new investment

We are trying to move deeper into higher added value business. To do this, we must take measures such as aggressive investment, acquisition of trade rights, etc. Since these measures may involve higher potential risks than conventional business risks, it might affect operating results and financial condition of our group.

4. Consolidated Financial Statements

(1) Balance Sheets

Years ended October 31, 2005 and 2006

Thousands of yen

Assets	2005	2006
I. Current assets		
Cash and deposits	1,611,339	1,235,536
Trade receivables	15,570,146	15,924,099
Inventories	4,074,197	5,030,842
Deferred tax assets	505,720	570,794
Other current assets	451,567	528,705
Allowance for doubtful receivables	(130,696)	(37,734)
Total current assets	22,082,276	23,252,243
II. Fixed assets		
Tangible fixed assets		
Buildings	2,153,181	2,190,983
Accumulated depreciation	(1,223,462)	(1,299,111)
Net	929,718	891,871
Machinery, equipment & vehicles	3,170,205	3,126,761
Accumulated depreciation	(2,241,297)	(2,202,038)
Net	928,907	924,722
Land	975,451	975,451
Other fixed assets	976,745	986,894
Accumulated depreciation	(847,350)	(848,948)
Net	129,394	137,946
Total tangible fixed assets	2,963,472	2,929,992
Intangible fixed assets	14,268	11,263
Investments and others		
Investments in securities (* 1, 2)	1,343,744	1,396,555
Guarantee deposits	359,918	292,956
Deferred tax assets	149,938	22,494
Financial derivative	143,792	346,420
Other investments	240,005	642,382
Allowance for doubtful receivables	(88,610)	(85,809)
Total investment and others	2,148,788	2,615,000
Total fixed assets	5,126,529	5,556,256
Total assets	27,208,805	28,808,500

		Thousands of yen	
		2005	2006
(Liabilities)			
I. Current liabilities			
Trade-payables	(* 2,4)	7,316,526	7,615,028
Short-term debt		2,320,060	1,894,489
Account payable-others		801,507	648,540
Accrued income tax		313,983	599,496
Advances from customers		134,734	38,525
Accrued employees' bonuses		11,483	1,097,234
Accrued officers' bonuses		0	50,789
Allowance for product warranty		0	119,700
Other current liabilities		1,049,580	240,664
Total current liabilities		11,947,877	12,304,468
II. Long-term liabilities			
Long-term debt		450,000	330,045
Accrued pension and severance liabilities		22,788	25,174
Officer's retirement allowance		193,910	229,640
Deferred tax liabilities		0	201,446
Financial derivatives		143,792	0
Total long-term liabilities		810,490	786,306
Total liabilities		12,758,368	13,090,774
(Minority interests)			
Minority interests		114,324	
(Shareholder's equity)			
I. Common stock			
	(* 4)	1,061,210	
II. Capital surplus			
		1,483,410	
III. Retained earnings			
		11,863,794	
IV. Unrealized gains and losses on marketable securities and investments			
		295,905	
V. Foreign currency translation adjustment			
		(5,744)	
VI. Issued shares reacquired			
	(* 5)	(362,462)	
Total shareholder's equity		14,336,113	
Total liability, minority interests and shareholder's equity		27,208,805	
(Net assets)			
I. Shareholder's capital			
Common stock			1,061,210
Capital surplus			1,483,410
Retained earnings			12,839,980
Issued shares reacquired			(362,697)
Total shareholder's capital			15,021,902

II. Revaluation and translation adjustments	
Unrealized gains and losses on marketable securities and investments	301,319
Financial derivative gains or losses	205,427
Foreign currency translation adjustment	30,480
Total Revaluation and translation adjustments	537,226
III. Minority interests	158,595
Total net assets	15,717,725
Total liabilities and net assets	28,808,500

(2) Statements of Consolidated Income

Years ended October 31, 2005 and 2006

Thousands of yen

	2005	2006
I. Sales	46,935,306	47,331,192
II. Cost of sales	38,802,261	39,009,228
Gross profit	8,133,044	8,321,963
III. Selling, general and administrative expenses (*1,2)	6,215,744	6,211,249
Operating income	1,917,300	2,110,713
IV. Other income		
Interests	9,185	5,632
Dividends	33,720	56,058
Rents	25,531	34,921
Foreign exchange gains	8,393	77,302
Sundry	59,264	46,300
Other income total	136,094	220,215
V. Other expenses		
Interests	55,860	65,749
Discounts on bills of exchange	1,290	5,155
Commitment fee	20,019	10,023
Sundry	20,831	27,220
Other expense total	98,001	108,148
Recurring profit	1,955,393	2,222,780
VI. Extraordinary gains		
Realized gains on property and equipment (* 3)	2,118	18,489
Reversal for allowance for doubtful receivables	0	95,368
Extraordinary gains total	2,118	113,857
VII. Extraordinary losses		
Realized losses on property and equipment (* 4)	0	1,574
Written-off losses on property and equipment (* 5)	2,052	23,120
Realized losses on investment securities	0	47,835
Unrealized losses on investment securities	0	12,000
Provision for allowance for doubtful receivables	1,390	0
Extraordinary losses total	3,442	84,530
Income before income taxes	1,954,068	2,252,108
Income taxes		
Current	804,490	797,600
Deferred	(8,448)	150,962
Income taxes total	796,041	948,562
Losses on minority interests	18,484	35,947
Income from consolidated operations	1,139,542	1,267,597

(3) Consolidated Retained Earnings

Year ended October 31, 2005

Thousands of yen

		2005
Surplus at opening of the period		1,483,410
Balance, beginning of year		
Retained earnings		10,995,414
Net income		1,139,542
	Total	12,134,956
Deduct:		
Cash dividend paid		229,532
Officers' bonuses		41,630
<Including Corporate Auditors' bonuses>		<10,290>
	Total	271,162
Balance, end of year		11,863,794

(4) Consolidated Statements of Changes in Shareholder's Equity

Year ended Oct. 31, 2006

Thousands of yen

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Issued shares reacquired	Total shareholder's equity
Surplus as of October 31, 2005	1,061,210	1,483,410	11,863,794	(362,462)	14,045,952
Changes during this quarter					
Cash dividend paid	0	0	(249,482)	0	(249,482)
Officer's bonuses	0	0	(41,930)	0	(41,930)
Net income	0	0	1,267,597	0	1,267,597
Issued shares reacquired	0	0	0	(235)	(235)
Total amount changed	0	0	976,185	(235)	975,950
Balance, end of fiscal year ended October 31, 2006	1,061,210	1,483,410	12,839,980	(362,697)	15,021,902

Year ended Oct. 31, 2006

Thousands of yen

	Revaluation and translation adjustments				Minority interests	Total net assets
	Unrealized gains and losses on marketable securities and investments	Financial derivative loss or gain	Foreign currency translation adjustment	Total revaluation and translation adjustments		
Surplus as of October 31, 2005	295,905	0	(5,744)	290,160	114,324	14,450,437
Changes during this quarter						
Cash dividend paid	0	0	0	0	0	(249,482)
Officer's bonuses	0	0	0	0	0	(41,930)
Net income	0	0	0	0	0	1,267,597
Issued shares reacquired	0	0	0	0	0	(235)
Total (net) amount changed (except shareholder's equity)	5,413	205,427	36,224	247,065	44,271	291,337
Total amount changed	5,413	205,427	36,224	247,065	44,271	1,267,288
Balance, end of fiscal year ended October 31, 2006	301,319	205,427	30,480	537,226	158,595	15,717,725

(5) Statements of Consolidated Cash Flows

Years ended October 31, 2005 and 2006

Thousands of yen

	2005	2006
I. Operating activities		
Net income before income taxes	1,954,068	2,252,108
Depreciation and amortization	319,947	364,442
Increase (decrease) in accrued employees' bonuses	11,483	1,085,750
Increase (decrease) in accrued officer's bonuses	0	50,789
Increase (decrease) in allowance for product warranty	0	119,700
Increase (decrease) in accrued pension and severance liabilities	(5,738)	2,385
Increase (decrease) in officer's retirement allowance	(47,820)	35,730
Provision for doubtful receivables	9,636	(95,762)
Unrealized losses on investment securities	0	12,000
Interest and dividend income	(42,906)	(61,691)
Interest expense	55,860	65,749
Losses or gains on foreign exchanges	(20,841)	(7,039)
Realized gains on investment securities	0	47,835
Realized losses on property and equipment	(2,118)	(16,914)
Write-off of property and equipment	2,052	23,120
Increase or decrease in trade receivables	1,554,623	(404,797)
Increase or decrease in inventories	(272,883)	(915,988)
Increase or decrease in trade payables	(2,045,347)	226,350
Increase or decrease in account payable-others	134,228	(159,893)
Increase or decrease in advances from customers	(91,888)	(96,208)
Increase or decrease in accrued consumption tax	62,695	(1,013)
Officer's bonuses	(41,630)	(41,930)
Others	172,605	(961,291)
Sub total	1,706,297	1,523,430
Interests and dividends received	43,774	61,664
Interests paid	(49,747)	(65,536)
Income taxes paid	(1,231,856)	(635,951)
Net cash provided by operating activities	468,468	883,606
II. Investing activities		
Increase in time deposits	(100,000)	(100,000)
Decrease in time deposits	100,000	100,000
Expenditures for properties and equipment	(269,267)	(404,912)
Proceeds from sales of properties and equipment	10,047	44,949
Acquisition of investment securities	(33,406)	(86,099)
Proceeds from sales of investment securities	0	5,179
Collection of loans receivable	45,651	42,982
Increase in loans receivable	(5,370)	(5,768)
Decrease in guarantee deposits	(6,614)	67,455
Decrease in other investments	1,120	107
Net cash used in investing activities	(257,838)	(336,105)
III. Financing activities		
Increase in short-term debt	(23,982)	(468,968)
Increase in long-term debt	0	60,045
Repayment of long-term debt	(205,671)	(180,000)
Reacquisition of issued shares of stocks	(510)	(235)
Cash dividends paid	(229,532)	(249,482)
Net cash used in financing activities	(459,697)	(838,639)
IV. Effect of exchange rate changes	25,400	15,334
V. Increase in cash and cash equivalents	(223,667)	(275,803)
VI. Cash and cash equivalents at the beginning of year	1,735,006	1,511,339
VII. Cash and cash equivalents at end of year (* 1)	1,511,339	1,235,536

Basis of Consolidated Financial Statements and Summary of Significant Accounting Policies

Significant basic matters in preparing consolidated financial statements:

Year ended October 31, 2005:	Year ended October 31, 2006:
<p>1. Scope of consolidation:</p> <p>(1) Number of consolidated subsidiaries: 6 Names of consolidated subsidiaries are Tomoe Machinery Co., Ltd. Tomoe Machinery Service Co., Ltd. Interstella Co., Ltd. Interstella Plastics (Shenzhen) Co., Ltd. Tomoe Engineering (Suzhou) Co., Ltd. Tomoe Engineering (Hong Kong) Co., Ltd.</p> <p>Tomoe Engineering (Hong Kong) Co., Ltd. is the 100% owned subsidiary founded in this consolidated fiscal year and we include it in the scope of the consolidation from this consolidated fiscal year.</p> <p>(2) Names of main unconsolidated subsidiaries: Tomoe Butsuryu Co., Ltd. Tomoe Wine & Spirits Co., Ltd.</p> <p>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 income and loss for the current fiscal year (in amount appropriate for equity) and retained earnings (in amount appropriate for equity) have no significant effects on consolidated financial statements.</p> <p>2. Matters related to applying equity method:</p> <p>(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.</p> <p>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 income or loss, consolidated retained earnings, etc. and are not important in totality.</p> <p>3. Business year, etc. of consolidated subsidiaries: As fiscal year 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 year and Tomoe Engineering</p>	<p>1. Scope of consolidation:</p> <p>(1) Number of consolidated subsidiaries: 6 Tomoe Machinery Co., Ltd. Tomoe Machinery Service Co., Ltd. Interstella Co., Ltd. Interstella Plastics (Shenzhen) Co., Ltd. Tomoe Engineering (Hong Kong) Co., Ltd. Tomoe Engineering (Shanghai) Co., Ltd.</p> <p>Tomoe Engineering (Shanghai) Co., Ltd. is the 100% owned subsidiary founded in this consolidated fiscal year and we include it in the scope of consolidation from this consolidated fiscal year. Tomoe Engineering (Suzhou) Co., Ltd. has been sold off this consolidated financial year.</p> <p>(2) Names of main unconsolidated subsidiaries: Tomoe Butsuryu Co., Ltd. Tomoe Wine & Spirits Co., Ltd.</p> <p>Reason for excluding from scope of consolidation: Same as left</p> <p>2. Matters related to applying equity method:</p> <p>(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.</p> <p>Reason for not applying equity method: Same as left</p> <p>3. Business year, etc. of consolidated subsidiaries: As fiscal year of Interstella Co., Ltd., Interstella Plastics (Shenzhen) Co., Ltd., and Tomoe Engineering (Shanghai) Co., Ltd. end on December 31, their accounts are provisionally closed on September 30 of the respective fiscal year and Tomoe Engineering</p>

(Hong Kong) Co., Ltd. ends on September 30. Therefore, as for 4 companies, 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:

Declining balance 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 straight-line method in three years is adopted for depreciation.

2) Intangible fixed assets:

Software: Straight-line method based on estimated utilizable period (5 years) is adopted.

(Hong Kong) Co., Ltd. ends on September 30. Therefore, as for 4 companies, 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:

Same as left

2) Appraisal standard and appraisal method for inventories:

Goods: Same as left

Finished products and products in process: Same as left

Raw materials: Same as left

Supplies: Same as left

(2) Depreciation method for important depreciation assets:

1) Tangible fixed assets: Same as left

2) Intangible fixed assets: Same as left

<p>(3) Allocation standard of important reserves:</p> <p>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.</p> <p>2) Accrued Employees' Bonuses: To appropriate for bonuses in accordance with our pay regulation for employees of consolidated subsidiaries, accrued bonuses are accounted based on estimated amount to be supplied.</p> <p>3) Accrued Officers' Bonuses: N/A</p> <p>4) Allowance for product warranty: N/A</p>	<p>(3) Allocation standard of important reserves:</p> <p>1) Bad debt reserves: Same as left</p> <p>2) Accrued Employees' Bonuses: Allowance is provided in provisions for payment of bonuses to employees in the amount of estimated bonuses, which are attributable to the current consolidated fiscal year. (Additional information)Accrued bonuses for employees had been shown in "other current liabilities" ; however, in conjunction with the review of bonus system, amount of bonuses payable to employees cannot be decided at the time of preparing the consolidated financial statements. Therefore, from the current consolidated financial year, they will be shown as "accrued employees' bonuses" in the current liabilities based on the Research Center Review Information No.15 "Concerning Financial Statement Titles to Be Used for Accrued Bonuses for Employees" issued by the JICPA. The amount of accrued bonuses for employees included in the "other current liabilities" in the previous consolidated financial year was 814,289 thousand yen.</p> <p>3) Accrued Officers' Bonuses: Allowance is provided in provisions for payment of bonuses to officers in the amount of estimated bonuses. (Change of accounting method) Officers' bonus had been recorded as decrease of unappropriated retained earnings by appropriation of earnings, however, from the current consolidated fiscal year, it is recorded as expense when incurred based on the "Accounting Standard for Directors' Bonuses" (The 4th Accounting Standards on November 29, 2005 by ASBJ). As a result, operating income, recurring profit, and income before income tax each decreased by 50,789 thousand yen compared to the case when previous method is applied. The impact on segment information is described in the corresponding section.</p> <p>4) Allowance for product warranty: In order to account for product-related loss and warranty expenses to be incurred after delivery of products, the possibility of incurring such expenses is individually estimated, and the amount is provided for as warranty</p>
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<p>5) Accrued pension and severance liabilities: Preparing for employee's accrued pension, the amount acknowledged being incurred as of the end of the current consolidated fiscal year is accounted for based on estimated amount of accrued pension debts and pension assets as of the end of the current consolidated fiscal year. Meanwhile, mathematical calculation difference is processed proportionately as cost in each consolidated fiscal year of its occurrence by straight-line method based on certain number of years (10 years) within employees' average remaining work period.</p> <p>6) Officers' retirement allowance: Term-end payable allowances based on the bylaw are appropriated to prepare for payment of officer's retirement allowances.</p> <p>(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.</p> <p>(5) Method of important hedge accounting:</p> <p>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.</p> <p>2) Means for hedging and objects for hedging: <u>Means for hedging</u> <u>Objects for hedging</u> Interest swaps Interest rate fluctuation on borrowings Exchange contracts and currency swaps Exchange rate fluctuation for debts and credits in foreign currencies</p> <p>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.</p> <p>4) Appraisal method of hedge effectiveness: We make our hedge transactions in accordance with our risk management</p>	<p>provision.</p> <p>5) Accrued pension and severance liabilities: Same as left</p> <p>6) Officers' retirement allowance: Same as left</p> <p>(4) Process method of important lease transaction: Same as left</p> <p>(5) Method of important hedge accounting: 1) Method of hedge accounting: Same as left</p> <p>2) Means for hedging and objects for hedging: Same as left</p> <p>3) Hedge policy: Same as left</p> <p>4) Appraisal method of hedge effectiveness: Same as left</p>
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<p>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.</p> <p>(6) Other important matters in preparing consolidated financial statements:</p> <p>1) Accounting procedure for consumption tax, etc: Accounting procedure for consumption tax and local consumption tax is in accordance with net of tax method.</p> <p>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.</p> <p>6. Matters related to handling of profit appropriation, etc: Consolidated surplus statement is prepared based on appropriation of net income of consolidated subsidiaries finalized during the consolidated fiscal year.</p> <p>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.</p>	<p>(6) Other important matters in preparing consolidated financial statements:</p> <p>1) Accounting procedure for consumption tax, etc: Same as left</p> <p>5. Matters related to asset and debt appraisal of consolidated subsidiaries: Same as left</p> <p>6. Matters related to handling of profit appropriation, etc: Same as left</p> <p>7. Range of funds in consolidated cash flow statement: Same as left</p>
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Change in accounting procedure

Year ended October 31, 2005:	Year ended October 31, 2006:
N/A	<p data-bbox="804 288 1437 349">(Accounting standard for presentation of net assets in balance sheet)</p> <p data-bbox="804 383 1437 685">From the current consolidated financial year, the Company adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Statement No. 5, December 9, 2005 by ASBJ) and "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Implementation Guidance No. 8, December 9, 2005 by ASBJ). The total amount of "Stockholders' Equity" in accordance with the old standard would be 15,353,702 thousand yen.</p> <p data-bbox="804 687 1437 797">Also, net assets in the balance sheet for the current consolidated financial year is presented according to the revised rules for consolidated financial statements.</p>

Description Changes

Year ended October 31, 2005:	Year ended October 31, 2006:
<p data-bbox="145 981 794 1012">(Statements of Consolidated Income)</p> <p data-bbox="145 1014 794 1160">The amount of "Commitment fee" was included in "Sundry" of "Other expenses" in the previous consolidated fiscal year, but this expense item is stated separately in the current consolidated fiscal year since it exceeded 10/100 of the total amount of "Other expenses."</p> <p data-bbox="145 1162 794 1238">In the meantime, the amount of "Commitment fee" in the previous consolidated fiscal year was 9,257 thousand yen.</p>	N/A

Additional Information

Year ended October 31, 2005:	Year ended October 31, 2006:
<p data-bbox="145 1424 794 1456">(Pro Forma Standard Taxation)</p> <p data-bbox="145 1458 794 1816">The "Law on amendment of part of Local Tax Law, etc." (Law No.9 of 2003) was officially announced on March 31, 2003 and the Pro Forma Standard Taxation System was introduced for fiscal year commencing April 1, 2005 or later. Added value allocation of corporate enterprise tax and capital allocation are hereby accounted for in selling expense and general and administration expenses in accordance with the "Practical handling of description in profit-and loss statement for the portion of Pro Forma Standard Taxation in corporate enterprise tax" (Practical Response Report No. 12 of ASBJ dated February 13, 2005).</p> <p data-bbox="145 1818 794 1984">As a result, selling expense and general and administration expenses were increased by 29,625 thousand yen and Operating income, Recurring profit and Net income from consolidated operations for the current consolidated fiscal year were decreased by the same amount respectively.</p>	N/A

Notes to Consolidated Financial Statements

(Consolidated balance sheet)

Year ended October 31, 2005	(Thousands of yen)	Year ended October 31, 2006	(Thousands of yen)
*1 For unconsolidated subsidiaries and affiliated companies: Investment securities (stocks)	51,500	*1 For unconsolidated subsidiaries and affiliated companies: Investment securities (stocks)	51,500
*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- & trade-payables: Securities: 199,072 144,872		*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- & trade-payables: Securities: 237,238 193,325	
3 Contingent liabilities: * Liabilities for guarantee: Liabilities for guarantee on bank borrowings for home ownership financing of employees: Employees (home ownership financing for employees)	 18,831	3 Contingent liabilities: * Liabilities for guarantee: Liabilities for guarantee on bank borrowings for home ownership financing of employees: Employees (home ownership financing for employees)	 14,063
*4 Total number of issued stocks: Common stocks 10,533,200 shares		*4 N/A	
*5 Own shares: The shares owned by consolidated companies who submitted consolidated financial statement: Common stocks 553,915 shares		*5 N/A	
*6 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 Balance of executed borrowings <u>1,022,000</u> Balance <u>5,628,000</u>		*6 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 6,050,000 Balance of executed borrowings <u>1,022,000</u> Balance <u>5,028,000</u>	

(Statements of Consolidated Income)

Year ended October 31, 2005	(Thousands of yen)	Year ended October 31, 2006	(Thousands of yen)
*1	Main expense items and amount in selling costs and general administrative costs are as follows:	*1	Main expense items and amount in selling costs and general administrative costs are as follows:
	Packing and freight costs		Packing and freight costs
	799,150		809,760
	Accrued pension costs		Accrued pension costs
	132,703		89,783
	Money transferred for officer's retirement allowance		Money transferred for officer's retirement allowance
	42,570		35,730
	Employee's salary costs		Employee's salary costs
	1,837,583		1,777,823
	Welfare costs		Welfare costs
	401,474		406,387
	Provision for accrued employees' bonuses		Provision for accrued employees' bonuses
	11,483		707,196
	Provision for allowance for doubtful receivables		Provision for accrued officers' bonuses
	46,828		50,789
	Traveling and transportation costs		Traveling and transportation costs
	334,339		329,665
	Depreciation costs		Depreciation costs
	102,857		93,457
	Rent		Rent
	353,243		373,614
	Fatigue duty costs		
	2,339		
*2	Research and development costs included in general administrative costs and manufacturing costs for the current term are 232,002 thousand yen.	*2	Research and development costs included in general administrative costs and manufacturing costs for the current term are 225,704 thousand yen.
*3	Profit on sale of fixed assets:	*3	Profit on sale of fixed assets:
	Machinery and vehicle:		Machinery and vehicle:
	2,118		17,470
			Spare parts and tools:
			<u>1,018</u>
			Total
			<u>18,489</u>
*4	Loss on sale of fixed assets:	*4	Loss on sale of fixed assets:
			Machinery and vehicle:
	N/A		1,574
*5	Loss on removal of fixed assets:	*5	Loss on removal of fixed assets:
	Machinery and vehicle:		Machinery and vehicle:
	644		20,935
	Others:		Spare parts and tools:
	<u>1,407</u>		2,164
	Total		Others:
	<u>2,052</u>		<u>19</u>
			Total
			<u>23,120</u>

(Statements of Changes in Consolidated Shareholder's Equity, etc.)

Year ended October 31, 2006

1. Matters concerning the types and total number of shares outstanding and the types and number of shares of treasury stock

	Number of shares as of October 31, 2005	Increase (shares)	Decrease (shares)	Number of shares as of October 31, 2006
Number of shares outstanding				
Common stock	10,533,200	0	0	10,533,200
Total	10,533,200	0	0	10,533,200
Treasury stock				
Common stock (Note)	553,915	93	0	554,008
Total	553,915	93	0	554,008

Note:

2. Matters concerning dividends

(1) Dividend payment amount

Resolution	Type of stock	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders meeting on Jan. 27, 2006	Common shares	249,482	25	Oct. 31, 2005	Jan. 30, 2006

(2) Of the dividends whose record date falls under the current consolidated financial year, whose effective dates belong to the next consolidated financial year

Resolution	Type of stock	Source of dividend payment	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
annual shareholders meeting on Jan. 30, 2007	Common shares	Retained earnings	299,375	30	Oct. 31, 2006	Jan. 31, 2007

(Consolidated cash flow statement)

Year ended October 31, 2005 (Thousands of yen)	Year ended October 31, 2006 (Thousands of yen)
*1 Fiscal year-end balance of cash and cash equivalent and relation with the amount of the accounts listed in the consolidated balance sheet:	*1 Fiscal year-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 1,611,339	Cash and deposit account 1,235,536
Time deposits over three months <u>(100,000)</u>	
Cash and cash equivalent <u>1,511,339</u>	Cash and cash equivalent <u>1,235,536</u>

(Lease)

Year ended October 31, 2005 (Thousands of yen)	Year ended October 31, 2006 (Thousands of yen)																																																								
Finance lease transactions other than those of which ownership of leased item is acknowledged to be transferred to lessee:	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:	1. Acquisition price equivalent, accumulated depreciation equivalent, accumulated depletion loss equivalent of leased items and term-end outstanding balance equivalent:																																																								
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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 41,549 Exceeding one year 69,746 Total 111,296	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 42,610 Exceeding one year 57,036 Total 99,647																																																								
Outstanding balance of lease assets depletion account: None																																																									
3. Lease fee paid, amount withdrawn from lease assets depletion account, depreciation cost equivalent, interests paid equivalent and depletion loss:	3. Lease fee paid, amount withdrawn from lease assets depletion account, depreciation cost equivalent, interests paid equivalent and depletion loss:																																																								
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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.	5. Calculation method of interests equivalent: Same as left (Depletion loss) There is no depletion loss allocated to lease assets.																																																								

(Securities)**Year ended October 31, 2005**

(Thousands of yen)

1. Other securities with market value:

Classification	Acquisition cost	Amount accounted for balance sheet	Difference
Those of which amount accounted for balance sheet exceeding acquisition cost:			
Stocks	361,695	851,777	490,081
Sub Total	<u>361,695</u>	<u>851,777</u>	<u>490,081</u>

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

(1) Stock	16,336	11,138	(5,197)
(2) Others	11,368	10,000	(1,368)
Sub Total	<u>27,704</u>	<u>21,138</u>	<u>(6,566)</u>
Total	<u>389,400</u>	<u>872,915</u>	<u>483,515</u>

2. Main securities not being appraised on market price:

Classification Amount accounted for consolidated balance sheet:

Other securities:	
Unlisted stocks (excluding over-the-counter stocks)	419,328
Total	<u>419,328</u>

Stocks of subsidiary companies and affiliated companies:

Stocks of subsidiary companies	51,500
Total	<u>51,500</u>

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	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Others	0	10,000	0	0
Total	0	<u>10,000</u>	0	0

1. Other securities with market value:

Classification	Acquisition cost	Amount accounted for balance sheet	Difference
Those of which amount accounted for balance sheet exceeding acquisition cost:			
(1) Stocks	363,512	830,268	466,756
(2) Others	11,368	11,426	57
Sub Total	374,880	841,694	466,813
Those of which amount accounted for balance sheet not exceeding acquisition cost:			
Stock	32,451	26,723	(5,727)
Total	<u>407,332</u>	<u>868,418</u>	<u>461,085</u>

2. Other securities sold during the current consolidated fiscal year (from November 1, 2005 to October 31, 2006):

Sales value	Total gains on sales	Total loss on sales
<u>5,179</u>	0	<u>47,835</u>

3. Main securities not being appraised on market price:

Classification	Amount accounted for consolidated balance sheet
Other securities:	
(1) Unlisted stocks (excluding over-the-counter stocks)	350,786
(2) Others	125,850
Total	<u>476,636</u>
Stocks of subsidiary companies and affiliated companies:	
Stocks of subsidiary companies	51,500
Total	<u>51,500</u>

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	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Others	0	11,426	0	0
Total	0	<u>11,426</u>	0	0

(Derivative transactions)

Year ended October 31, 2005	Year ended October 31, 2006
<p>1. Conditions of transaction:</p> <p>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.</p> <p>(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.</p> <p>(2) Means of hedging and objects hedged: <u>Means of hedging</u> <u>Objects hedged</u> Interest swaps Interest rate fluctuation on borrowing Exchange contracts and currency swaps Exchange rate fluctuation on debts and credits in foreign currencies</p> <p>(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.</p> <p>(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.</p> <p>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.</p> <p>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.</p>	<p>1. Conditions of transaction: Same as left</p> <p>1) Details of transaction, utilization purpose, etc: Same as left</p> <p>(1) Method of hedge accounting: Same as left</p> <p>(2) Means of hedging and objects hedged: Same as left</p> <p>(3) Hedge policy: Same as left</p> <p>(4) Method of hedge efficiency appraisal: Same as left</p> <p>2) Policy on wrestling with derivative transaction: Same as left</p> <p>3) Details of risks involved in transaction: Same as left</p>

<p>Both in currency and interest rate related matters, it is our judgment 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.</p> <p>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.</p> <p>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.</p>	<p>4) Risk management system of transactions: Same as left</p> <p>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.</p>
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(Accrued pension)

Year ended October 31, 2005	(Thousands of yen)	Year ended October 31, 2006	(Thousands of yen)
1. Outline of accrued pension system adopted: Fixed benefit type "Tax Qualified Pension Plan" system is adopted by our group, with exception of some consolidated subsidiary companies.		1. Outline of accrued pension system adopted: Same as left	
2. Accrued pension liabilities:		2. Accrued pension liabilities:	
1) Accrued pension liabilities	3,086,683	1) Accrued pension liabilities	2,985,583
2) Unrecognized mathematical calculation difference	(290,754)	2) Unrecognized mathematical calculation difference	(628,314)
3) Accrued pension trust assets	665,282	3) Accrued pension trust assets	715,165
4) Pension assets	2,900,286	4) Pension assets	3,204,565
Balance	(188,130)	Balance	(305,832)
5) Advance pension costs	210,919	5) Advance pension costs	331,007
6) Accrued pension and severance liabilities	<u>22,788</u>	6) Accrued pension and severance liabilities	<u>25,174</u>
3. Accrued pension costs: 150,705		3. Accrued pension costs: 149,105	
1) Employment costs		1) Employment costs	
2) Interest costs	53,135	2) Interest costs	53,466
3) Expected investment profits	(33,927)	3) Expected investment profits	(43,374)
4) Processed amount of mathematical calculation difference	47,543	4) Processed amount of mathematical calculation difference	(9,029)
Total	<u>217,456</u>	Total	<u>150,167</u>
4. Basis of accrued pension liability calculation, etc.:		4. Basis of accrued pension liability calculation, etc.:	
1) Periodic allocation method for anticipated accrued pensions	Period fixed amount standard	1) Periodic allocation method for anticipated accrued pensions	Period fixed amount standard
2) Discount rate	1.75%	2) Discount rate	1.75%
3) Expected investment profits	1.50%	3) Expected investment profits	1.50%
4) Number of years for processing mathematical calculation difference	10 years	4) Number of years for processing mathematical calculation difference	10 years
Costs are processed by straight-line method in succeeding fiscal year based on certain number of years within employees' average remaining length of employment at time of occurrence.		Costs are processed by straight-line method in succeeding fiscal year based on certain number of years within employees' average remaining length of employment at time of occurrence.	

(Tax effect accounting)

Year ended October 31, 2005	(Thousands of yen)	Year ended October 31, 2006	(Thousands of yen)
1. Breakdown of deferred tax assets and deferred tax liabilities by main causes of occurrence:		1. Breakdown of deferred tax assets and deferred tax liabilities by main causes of occurrence:	
(Deferred tax assets)		(Deferred tax assets)	
Denial on accrued pension costs	129,185	Denial on accrued pension costs	113,756
Denial on unpaid bonus	332,422	Accrued employees' bonuses	442,820
Denial on inventory assets appraisal loss	24,198	Allowance for product warranty	48,717
Denial on investment securities appraisal loss	62,715	Denial on investment securities appraisal loss	87,998
Denial on reserves of officer's retirement allowances	78,921	Denial on reserves of officer's retirement allowances	93,463
Amount exceeding limit of doubtful accounts transferred	62,554	Amount exceeding limit of doubtful accounts transferred	33,924
Unpaid legal welfare expenses	25,717	Unpaid legal welfare expenses	40,092
Denial on unpaid business taxes	29,299	Depletion loss	30,093
Depletion loss	30,093	Others	101,546
Others	147,965	Sub total of deferred tax assets	992,414
Sub total of deferred tax assets	923,074	Valuation reserves	(109,963)
Valuation reserves	(41,589)	Total deferred tax assets	<u>882,450</u>
Total deferred tax assets	<u>881,484</u>		
		(Deferred tax liabilities)	
(Deferred tax liabilities)		Difference of appraisal loss on other securities	(176,392)
Reserves for deferred fixed assets	(22,732)	Prepaid pension cost	(151,692)
Difference of appraisal loss on other securities	(203,091)	Financial derivative loss & gain	(140,993)
Total deferred tax liabilities	<u>(225,824)</u>	Reserves for deferred fixed assets	<u>(21,529)</u>
		Total deferred tax liabilities	<u>(490,607)</u>
Net of deferred tax assets	<u>655,659</u>	Net of deferred tax assets	<u>391,843</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:		2. Breakdown of main items causing difference between legal effective tax rate and contribution percentage of corporate tax, etc. after adopting tax effective accounting:	
As the difference between legal effective tax rate and contribution percentage of corporate tax is not more than 5/100 of the legal effective tax rate, its breakdown is omitted.		As the difference between legal effective tax rate and contribution percentage of corporate tax is not more than 5/100 of the legal effective tax rate, its breakdown is omitted.	

(Segment information)

1. Segment by type of business:

Year ended October 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	0	46,935,306
(2) Internal sales among segments or amount transferred	0	0	0	0	0
Total	12,600,789	34,334,516	46,935,306	0	46,935,306
Operating costs	11,627,905	33,390,100	45,018,005	0	45,018,005
Operating income	972,883	944,416	1,917,300	0	1,917,300
II. Assets, depreciation costs, depletion loss and capital expenditures					
Assets	8,147,020	16,106,701	24,253,722	2,955,083	27,208,805
Depreciation costs	165,537	154,409	319,947	0	319,947
Capital expenditures	210,385	58,881	269,267	0	269,267

(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, other machinery
 - (2) Chemical Products Business: Synthetic resin, inorganic materials, other chemical products
 - (3) Of the assets in the current consolidated fiscal year, the amount of the total company assets included in deletion or total company items is 2,955,083 thousand yen. The main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.

Year ended October 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	12,117,440	35,213,752	47,331,192	0	47,331,192
(2) Internal sales among segments or amount transferred	0	0	0	0	0
Total	12,117,440	35,213,752	47,331,192	0	47,331,192
Operating costs	11,266,622	33,953,855	45,220,478	0	45,220,478
Operating income	850,817	1,259,896	2,110,713	0	2,110,713
II. Assets, depreciation costs, depletion loss and capital expenditures					
Assets	9,500,669	16,689,427	26,190,097	2,618,402	28,808,500
Depreciation costs	197,813	166,628	364,442	0	364,442
Capital expenditures	271,122	133,789	404,912	0	404,912

(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, other machinery
 - (2) Chemical Products Business: Synthetic resin, inorganic materials, other chemical products
 - (3) Of the assets in the current consolidated fiscal year, the amount of the total company assets included in deletion or total company items is 2,618,402 thousand yen. The main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.
3. As is explained in "Significant basic matters in preparing consolidated financial statements", Accounting procedure standard, (3) Allocation standard of important reserves, 3) Accrued Officers' Bonuses, directors' bonus had been

recorded as decrease of unappropriated retained earnings by appropriation of earnings. From the current consolidated fiscal year, it is recorded as expense when incurred based on the "Accounting Standard for Directors' Bonuses" (The 4th Accounting Standards on November 29, 2005 by ASBJ). The effect of this change on segment information is insignificant.

2. Segment by location:

Year ended October 31, 2005

(Thousands of yen)

	Japan	Asia	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	38,799,296	8,136,009	46,935,306	0	46,935,306
(2) Internal sales among segments or amount transferred	233,038	25,253	258,291	(258,291)	0
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
II. Assets	20,682,547	3,675,845	24,358,393	2,850,412	27,208,805

(Notes)

1. Included in Asia are four countries, China, Korea, Taiwan and Indonesia.
2. Of the assets in the current consolidated fiscal year, the amount of the total company assets included in deletion or entire company items is 2,955,083 thousand yen. Main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.

Year ended October 31, 2006

(Thousands of yen)

	Japan	Asia	Total	Deletion or total company	Consolidated
I. Sales and operating income:					
Sales					
(1) Sales to unaffiliated customers	40,192,526	7,138,665	47,331,192	0	47,331,192
(2) Internal sales among segments or amount transferred	318,501	242	318,744	(318,744)	0
Total	40,511,027	7,138,908	47,649,936	(318,744)	47,331,192
Operating costs	38,882,487	6,661,544	45,544,032	(323,553)	45,220,478
Operating income	1,628,540	477,364	2,105,904	4,809	2,110,713
II. Assets	22,479,449	3,814,884	26,294,333	2,514,166	28,808,500

(Notes)

1. Included in Asia are four countries, China, Korea, Taiwan and Indonesia.
2. Of the assets in the current consolidated fiscal year, the amount of the total company assets included in deletion or entire company items is 2,618,402 thousand yen. Main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.
3. As is explained in "Significant basic matters in preparing consolidated financial statements", 4. Accounting procedure standard, (3) Allocation standard of important reserves, 3) Accrued Officers' Bonuses, directors' bonus had been recorded as decrease of unappropriated retained earnings by appropriation of earnings. From the current consolidated fiscal year, it is recorded as expense when incurred based on the "Accounting Standard for Directors' Bonuses" (The 4th Accounting Standards on November 29, 2005 by ASBJ). The effect of this change on segment information is insignificant.

3. Overseas sales:

Year ended October 31, 2005

(Thousands of yen)

	Asia	Other regions	Total
I. Overseas sales	10,629,098	899,979	11,529,077
II. Consolidated sales			46,935,306
III. Percentage of overseas sales for consolidated sales (%)	22.7	1.9	24.6

(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.

Year ended October 31, 2006

(Thousands of yen)

	Asia	Other regions	Total
I. Overseas sales	8,797,154	681,931	9,479,086
II. Consolidated sales			47,331,192
III. Percentage of overseas sales for consolidated sales (%)	18.6	1.4	20.0

(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, 2005

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	Business 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	76,009	Accrued amount payable	6,777
Subsidiary	Tomoe Wines & Spirits	Chuo-ku, Tokyo	30,000	Sales of imported alcoholic beverage	Direct 71.7	3	Sales of our goods	Sales of products	561,524	Accrued amount receivable	238,354

(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 the 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 the same manner as other general transactions with other parties having no affiliation with us.

Year ended October 31, 2006

(1) Officers & main private shareholders

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	Business relation				
Officers & their relatives	Toshiyuki Shibata	-	-	Our Corporate Auditor	(held) 0.0	-	-	Payment of attorney's fee	2,134	Accrued amount payable	-

(Note) No consumption tax, etc. are included in transaction amount.

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

Attorney's fee is decided in the same condition as the one with other parties having no affiliation with us.

(2) 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	Business 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	50,347	Accrued amount payable	6,284
Subsidiary	Tomoe Wines & Spirits	Chuo-ku, Tokyo	30,000	Sales of imported alcoholic beverage	Direct 71.7	3	Sales of our goods	Sales of products	709,161	Accrued amount receivable	255,661

(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 the 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 the same manner as other general transactions with other parties having no affiliation with us.

(Important post-balance sheet events)

Not applicable

5. Situation of Manufacturing, Order Receiving and Sales

(1) Results of manufacturing:

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

Business by type of segment	Output (Thousands of yen)	Year-on-year comparison (%)
Machinery & Equipment Business	12,008,489 <2,624,924>	(2.9) <(27.0)>
Total	12,008,489 <2,624,924>	(2.9) <(27.0)>

(Notes)

1. Amounts are based on selling price.
2. Output for overseas included in total output is shown in < >.
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 year 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 & Equipment Business	12,296,767 <4,809,341>	3.6 <121.7>	6,357,318 <2,976,268>	8.8 <303.7>
Total	12,296,767 <4,809,341>	3.6 <121.7>	6,357,318 <2,976,268>	8.8 <303.7>

(Notes)

1. Amount of order received for overseas included in total amount of order received is shown in < >.
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 year are as follows:

Business by type of segment	Sales (Thousands of yen)	Year-on-year comparison (%)
Machinery & Equipment Business	12,117,440 <2,616,427>	(3.8) <(27.2)>
Chemical Products Business	35,213,752 <6,862,658>	2.6 <(13.5)>
Total	47,331,192 <9,479,086>	0.8 <(17.8)>

(Notes)

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