

# Financial Results for the Fiscal Year Ended October 31, 2011 [Japan GAAP] (Consolidated)

Date: December 12, 2011  
 Company: Tomoe Engineering Co., Ltd. and Subsidiaries  
 (Web Site: [http://www.tomo-e.co.jp/index\\_e.html](http://www.tomo-e.co.jp/index_e.html))  
 Stock exchange listing: 1<sup>st</sup> Section, Tokyo Stock Exchange  
 Head Office: 2-2, Osaki 1-chome, Shinagawa-ku, Tokyo, Japan  
 President: Noboru Shiono  
 Investor Relations Contacts: Natsuhiko Maeda, Director, General Manager of Accounting Division, Tel: (03) 5435-6512  
 Date of Annual Shareholders Meeting: January 27, 2012  
 Date of Dividend Payment: January 30 2012  
 Date of Financial Statement: January 27, 2012  
 Preparation of Supplementary Explanatory Materials for Annual Operating Results: Yes  
 Briefing Session for Annual Operating Results: Yes (for institutional investors)

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

## 1. Consolidated Financial Results for the Year Ended October 31, 2011

### (1) Results of Operation (Consolidated)

(Percent: Change from the previous year)

	Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
<b>Year Ended October 31, 2011</b>	42,375	9.2	2,421	11.4	2,595	19.1
<b>Year Ended October 31, 2010</b>	38,816	6.9	2,173	37.1	2,179	29.2

(Note) Comprehensive income

Fiscal year ended October 31, 2011: 2,826 million yen (128.5%)

Fiscal year ended October 31, 2010: 1,237 million yen (- %)

	Net Income		Net Income per Share	Diluted Net Income per Share	Return on Equity	Return on Assets	Return on Sales
	(Millions of Yen)	(Percent)	(Yen)	(Yen)	(Percent)	(Percent)	(Percent)
<b>Year Ended October 31, 2011</b>	2,915	115.2	292. <sup>17</sup>	-	14.7	8.3	5.7
<b>Year Ended October 31, 2010</b>	1,354	36.4	135. <sup>27</sup>	-	7.5	7.8	5.6

(Reference) Equity in earnings (loss) of unconsolidated subsidiaries and affiliates

Fiscal year ended October 31, 2011: None

Fiscal year ended October 31, 2010: None

### (2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B / A) (Percent)	Net Assets per Share (Yen)
<b>Year Ended October 31, 2010</b>	32,702	21,329	64.5	2,113. <sup>56</sup>
<b>Year Ended October 31, 2010</b>	29,799	18,852	62.4	1,862. <sup>30</sup>

(Reference) Net assets

Fiscal year ended October 31, 2011: 21,090 million yen

Fiscal year ended October 31, 2010: 18,583 million yen

**(3) Cash Flows (Consolidated)**

(Millions of yen)

	Net Cash Provided (Used) by Operating Activities	Net Cash Provided (Used) by Investing Activities	Net Cash Provided (Used) by Financing Activities	Consolidated Cash and Cash Equivalent as of Year-end
<b>Year Ended October 31, 2011</b>	1,874	(239)	(373)	7,296
<b>Year Ended October 31, 2010</b>	2,182	(51)	(394)	6,109

**2. Dividend Status**

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	End of Fiscal Year	Total
<b>Year Ending October 31, 2010</b>	-	0.00	-	35. <sup>00</sup>	35. <sup>00</sup>
<b>Year Ending October 31, 2011</b>	-	0.00	-	40. <sup>00</sup>	40. <sup>00</sup>
<b>Year Ending October 31, 2012 (Prospect)</b>	-	0.00	-	40. <sup>00</sup>	40. <sup>00</sup>

	Total Dividend (Millions of Yen)	Dividend Payout Ratio (Consolidated) (Percent)	Dividend on Equity Ratio (Consolidated) (Percent)
<b>Year Ending October 31, 2010</b>	349	25.8	1.9
<b>Year Ending October 31, 2011</b>	399	13.7	2.0
<b>Year Ending October 31, 2012 (Prospect)</b>	-	24.0	-

**3. Forecast for the Year Ending October 31, 2012 (Consolidated)**

(Percent: Change from the previous year for the full business year and 6-month period)

	Sales		Operating Income		Ordinary income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
<b>6-month Period</b>	23,200	5.1	1,580	(6.3)	1,590	(11.5)
<b>Full Business Year</b>	46,000	8.6	2,660	9.9	2,690	3.6

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)
<b>6-month Period</b>	960	(9.4)	96. <sup>20</sup>
<b>Full Business Year</b>	1,660	(43.1)	166. <sup>35</sup>

**4. Others**

- (1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes in the scope of consolidation): None
- (2) Changes of the principles, procedures, and representation of the accounting policies
  - 1) Change due to revision of accounting standard: Yes
  - 2) Other changes: None
- (3) Number of outstanding shares (Common stock)
  - 1) Number of outstanding shares at year-end (including treasury stocks)
    - At October 31, 2011: 10,533,200 shares    At October 31, 2010: 10,533,200 shares
  - 2) Number of treasury stocks at year-end
    - At October 31, 2011: 554,501 shares    At October 31, 2010: 554,418 shares
  - 3) Number of average shares
    - At October 31, 2011: 9,978,725 shares    At October 31, 2010: 9,978,821 shares

(Reference)

1. Outline of Non-Consolidated Results of Operations for the Year Ended October 31, 2011

(1) Results of Operation (Non-consolidated)

(Percent: Change from the previous year)

	Sales		Operating Income		Ordinary income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Year Ended October 31, 2011	39,822	10.6	2,166	19.4	2,407	26.3
Year Ended October 31, 2010	35,992	6.1	1,813	35.3	1,905	17.9

	Net Income		Net Income per Share	Diluted Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)	(Yen)
Year Ended October 31, 2010	2,830	140.4	283. <sup>62</sup>	-
Year Ended October 31, 2010	1,177	21.2	117. <sup>98</sup>	-

(2) Financial Condition (Non-consolidated)

	Total Assets (A)	Net Assets (B)	Net Assets Ratio (B) / (A)	Net Assets per Share
	(Millions of Yen)	(Millions of Yen)	(Percent)	(Yen)
Year Ended October 31, 2011	29,368	19,868	67.7	1,991. <sup>07</sup>
Year Ended October 31, 2010	26,688	17,384	65.1	1,742. <sup>15</sup>

(Reference) Net assets

Fiscal year ended October 31, 2011: 19,868 million yen

Fiscal year ended October 31, 2010: 17,384 million yen

\*Presentation Concerning Implementation of Audit Procedures

This financial report is exempt from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the Company has not completed the audit procedures for financial statements based on the Financial Instruments and Exchange Act.

\*Explanations for appropriate use of the earnings forecast and other special instructions

The forward-looking statements such as a forecast of our financial results described herein are based on the information currently available to us and certain assumptions that we believe are reasonable. Actual results could differ materially due to various factors. For assumptions of the forecasts and necessary precautions, refer to (1) [Analysis of Results of Operation] of 1. [Operating Results and Financial Condition], on page 5.

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# 1. Operating Results and Financial Condition

## (1) Analysis of Results of Operation

### [1] General condition of the current consolidated fiscal year

#### General operating results

During the consolidated fiscal year, production and exports fell sharply as a result of supply chain disruptions and the effects of electric power shortages in the aftermath of the Tohoku Pacific Offshore Earthquake that struck in March 2011, and Japan's economy was hampered by conditions that considerably undermined the economic recovery that had been underway until the earthquake. Aided by the progress in restoring supply chains, however, which proceeded more quickly than anticipated immediately after the earthquake, and by factors such as efforts undertaken immediately by the industrial sector to compensate for power shortages, the recovery trends in production, exports and personal consumption levels as a whole were sustained despite lingering concerns generated by the financial and economic climate in Europe, the U.S. and China and the appreciation of the yen.

Under such circumstances, the consolidated net sales of the Tomoe Engineering Group were 42,375 million yen, 9.2% up compared with the previous consolidated fiscal year, against the backdrop of growth in sales of centrifuge equipment for oil drilling in North America and parts and repairs for Japan's private sector demand in the Machinery & Equipment Business, and improved supply and demand for industrial materials, advanced materials and fine chemicals and the effect of new commercial products in the Chemical Products Business. Although some restrictions were placed on procurement of certain components and sales activities in the Machinery & Equipment Business as a result of the earthquake, the effect was limited as a whole, while the occurrence of extensive front-loaded demand and substitute demand in the Chemical Products Business had the effect of pushing up net sales as a whole somewhat throughout the consolidated fiscal year.

From an earnings perspective, consolidated operating income for the Tomoe Engineering Group improved more rapidly than the expansion in net sales and was 11.4% up from the previous consolidated fiscal year, to 2,421 million yen. Although gross profit margins in both of the Group's businesses contracted marginally compared with the prior fiscal year because of several unique factors, increases in selling, general and administrative expenses, beginning with personnel expenses, were stringently controlled. Another factor that helped improve earnings was a gain on valuation of derivatives related to the Chemical Products Business. As a result, ordinary income also exceeded the prior fiscal year level and was up 19.1%, to 2,595 million yen. Net income for the current consolidated fiscal year was 2,915 million yen, 115.2% up compared with the previous year, reflecting a gain on conversion of fixed assets rights of 2,444 million yen, which we reported in extraordinary income, in conjunction with the conversion of property rights to the Company's former Tokyo factory based on a district redevelopment project.

#### Machinery & Equipment Business

In the Machinery & Equipment Business, consolidated net sales were 12,480 million yen, 8.3% up from the previous year. Although domestic sales of machinery and equipment were basically flat, sales of centrifuge equipment for oil well drilling in North America, components sales and repair service for domestic private sector demand and works related to domestic public sector demand were all higher. Among these, the contribution from centrifuge equipment for oil drilling in North America was especially large, accounting for 164.9% of the growth rate in net sales in that business. Sales of abrasive grain slurry recycling equipment used for manufacturing photovoltaic cells, and centrifuge equipment for vinyl chloride plants in China, which supported overseas net sales through the previous year, remained somewhat weak throughout the fiscal year. Parts procurement and business operations experienced some restrictions for a certain period of time following the March 11 earthquake, but the effect of these on net sales was limited. Furthermore, in terms of earnings, the gross profit margin declined slightly as a reaction to the especially high-profit margin sales for a domestic large-scale repair project involving heavily depleted equipment

that were included in the previous year's net sales. Because we tightly controlled selling, general and administrative expenses including personnel expenses, however, consolidated operating income rose faster than the growth rate in net sales and reached 1,114 million yen, 16.1% up compared with the previous consolidated fiscal year.

#### Chemical Products Business

In the Chemical Products Business, sales rose despite the clear loss of some commercial distribution activities related to the plastic compounding business in Shenzhen, China and a slackening demand domestically in consumable goods for use of semiconductor manufacturing, as supply and demand related to other domestic sectors continued to improve, especially for items used in the residential housing and construction industry segments. As a result, consolidated net sales were 29,894 million yen, up 9.5% from the previous fiscal year, with industrial materials, advanced materials and fine chemicals all serving as growth drivers. This included expanded sales of new commercial products, which also gradually increased their contribution to higher revenues in the advanced materials and fine chemicals sectors. As a result of the earthquake, this business experienced small losses, including lower sales of products for automobiles and the scrapping and write-off of some inventory assets. The effect was limited, however, and the subsequent occurrence of front-loaded and substitute demand for a wide range of commercial products helped to push up net sales somewhat throughout the consolidated fiscal year. From a business earnings standpoint, the slowdown phase affecting operations in Shenzhen, China intensified gradually and affected the gross profit margin, which fell slightly. Nevertheless, because increases in selling, general and administrative expenses were capped, beginning with personnel expenses, consolidated operating income rose 7.7% from the previous fiscal year to 1,306 million yen.

#### **[2] Outlook for the next fiscal year (November 1, 2011 - October 31, 2012)**

Turning to the consolidated fiscal year ending in October 2012, as in the prior year Japan's economy is forecast to continue its search for ways to sustain its recovery in the face of several concerns, including the financial and economic climate in Europe, the United States and China and the persistent strength of the yen, by using developments such as the recovery of production in the automobile sector and a high level of post-earthquake reconstruction demand as footholds.

Given such circumstances, in the Tomoe Engineering Group's Machinery & Equipment Business we plan to continue expanding sales of machinery and parts in overseas markets, including centrifuge equipment for oil well drilling, and increasing domestic sales, and we project fiscal year consolidated net sales of 13,700 million yen (9.8% up compared with the previous year) and operating income of 1,325 million yen (18.8% up compared with the previous year). In the Chemical Products Business as well, we will work to expand domestic sales of existing and new commercial products in the industrial materials and fine chemicals sectors, and we plan to leverage our plastic compounding business in China by incorporating new commercial distribution and other measures. In this business we project fiscal year net sales of 32,300 million yen (8.0% up compared with the previous year) and operating income of 1,335 million yen (2.2% up compared with the previous year).

As a result of these efforts, for the entire Tomoe Engineering Group in the consolidated fiscal year ending October 2012 we project net sales to grow by 8.6% to 46,000 million yen and operating income to increase 9.9% to 2,660 million yen. In conjunction with this growth, we project ordinary income for the fiscal year to increase by 3.6% to 2,690 million yen, which also partially reflects the fact we have reported a one-time loss on valuation of derivatives in the current consolidated fiscal year, and in the absence of the one-time gain on conversion of fixed assets rights reported in the current fiscal year, we project net income will fall by 43.1% to 1,660 million yen.

The operating results forecasts for the next period described above are based on information available to the Company at the time the forecasts were prepared and assumptions judged to be reasonable. Actual operating results might differ from these forecasts depending upon domestic and international financial and economic conditions, the supply and demand situation and various other unpredictable, abrupt changes in circumstances.

## (2) Analysis of Financial Condition

### [1] Total Assets, Liabilities, and Net Assets

Total assets at the end of the current consolidated fiscal year were 32,702 million yen, up 2,923 million yen or 9.8% from the balance at the end of the previous consolidated fiscal year (October 31, 2010). This was the result of an increase in current assets that reflected growth in cash and deposits against the backdrop of higher sales and earnings and some growth in inventories related to the Chemical Products Business and other assets, as well as the realization of latent assets in conjunction with the conversion of property rights at the site of our former Tokyo factory.

Total liabilities, on the other hand, rose 4.1% compared with the end of the previous consolidated fiscal year to 11,372 million yen. Although current liabilities were slightly lower because of a decrease in income taxes payable, noncurrent liabilities were substantially higher, because of a deferred tax liability of 994 million yen related to the latent assets at our former Tokyo factory.

The total balance for net assets increased 13.1% or 2,477 million yen compared with the end of the previous consolidated fiscal year to 21,329 million yen, as retained earnings increased significantly because the gain on conversion of fixed assets rights related to the conversion of property rights at the site of our former Tokyo factory, excluding the tax effect amount, was still positive and was added to the net income from both businesses.

Because the growth rate for net assets exceeded the rate for liabilities as total assets expanded as discussed above, the equity ratio at the end of the current consolidated fiscal year rose by 2.1 percentage points from the end of the previous consolidated fiscal year, climbing from 62.4% to 64.5%.

### [2] Cash Flow Status

Balance of cash and cash equivalent as of the end of the current consolidated fiscal year increased by 1,187 million yen to 7,296 million yen from the previous consolidated fiscal year. Status of each cash flow and their factors during the current consolidated fiscal year are as follows:

#### (Net Cash Provided by (Used in) Operating Activities)

Although the gain on conversion of fixed assets rights was 2,444 million yen and income taxes paid reached 1,511 million yen, because income before income taxes and minority interests was 5,007 million yen, and notes and accounts receivable-trade also decreased by 781 million yen, the total amount reported as income was 1,874 million yen.

#### (Net Cash Provided by (Used in) Investing Activities)

Because amounts for expenditures such as purchases of property, plant and equipment including buildings and structures and intangible fixed assets exceeded amounts for items such as proceeds from sales of investment securities, the net amount of expenditures totaled 239 million yen.

#### (Net Cash Provided by (Used in) Financing Activities)

Net cash used in financing activities was 373 million yen in total because of lease obligations payment in addition of cash dividends of 349 million yen. Note trends in cash flow indices below.

Trends in cash flow indices are as follows:

	Year Ended October 31, 2007	Year Ended October 31, 2008	Year Ended October 31, 2009	Year Ended October 31, 2010	Year Ended October 31, 2011
Equity Ratio (Percent)	51.8	58.8	66.8	62.4	64.5

Equity Ratio Based on Market Value (Percent)	47.4	30.9	51.8	38.6	42.5
Debt-repayment to Cash Flow Ratio (Years)	-	0.3	0.2	0.3	0.3
Interest Coverage Ratio (Percent)	-	86.9	88.8	151.7	258.7

Equity ratio: Net assets / Total assets

Equity ratio based on market value: Market capitalization of shares / Total assets

Debt-repayment to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payment

(Note)

1. All indices are calculated on the basis of consolidated financial figures.
2. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.
3. Cash flow refers to net cash provided by (used in) operating activities.
4. Interest-bearing debt refers to all debt reported on the consolidated balance sheet for which interest is being paid.

### **(3) Basic Policy for Profit Sharing and Dividends for Fiscal 2011 and 2012**

Our company's approach to the return of profits to our important shareholders is based on our stated policy to "maintain stability in dividends payment with a target consolidated payout ratio of 25% or more, by considering earnings, reinforcement of our corporate base and other factors in a comprehensive manner."

Based on the above policy, we plan to submit to the 82nd General Meeting of Shareholders to be held in January 2012 a resolution to pay out dividends of 40 yen per share for the fiscal year ended on October 31, 2011. In addition to our regular dividend of 35 yen per share, identical to the dividend for the previous fiscal year, we plan to separately pay a commemorative dividend of 5 yen per share in recognition of the 70th anniversary of the Company's founding.

Dividends for the fiscal year ending on October 31, 2012 will be 40 yen per share. This will be an increase of 5 yen per share compared with the ordinary dividend per share for the fiscal year ended on October 31, 2011, considering the business outlook for the entire fiscal year and factors such as the projected change in our financial position.

### **(4) Risk Factors in Business**

The key areas of business risks of our group that might have significant influence on investors' decision are as follows. The following judgments are made based on the business information at the end of the current consolidated fiscal year, although some forward-looking statements are contained.

#### **[1] Seasonal Fluctuation of Operating Results**

Currently there is a seasonal bias in sales and profits of our group toward the second quarter. This is because that public sector sales account for relatively a high percentage in the sales of Machinery & Equipment Business and tend to be concentrated in the second quarter due to public sector's budget implementation.

#### **[2] Influence of Foreign Exchange Fluctuation**

Businesses of our group include exports and import in foreign currencies, and exchange rate fluctuations may affect the values after translation into yen. Operating results and financial condition of our group might be affected by the range of foreign exchange fluctuation although we make efforts to minimize exchange fluctuation risks by entering

into forward exchange contracts. Since our group has overseas subsidiaries, we prepare 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 Risk of Overseas Activities**

Our group is engaged in marketing and manufacturing overseas, focusing on China and other Southeast Asian countries. Our group will monitor the local situations with the greatest care and take appropriate actions on a timely basis. However, our group's operating results and financial condition might be affected by unforeseen circumstances arising from local political conditions, governments, legal restrictions, taxation systems, customs, etc.

### **[4] Risk Associated with Quality of Goods and Products**

The products of our group are manufactured by paying due attention based on systematic quality control. The products that require technical development might cause risk of having cost of repair and replacement. 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 affect our group's operating results and financial condition to the extent of the problem.

### **[5] Risks of New Investment**

Our group is in a quest to pursue high-value-added business all the time. To do this, we must take measures such as aggressive investment and acquisition of trade rights in some situations; however, these measures may involve higher potential risks than conventional business risks. Even though we take such sufficient preparations and measures, some unexpected events may result in affecting operating results and financial condition of our group.

## **2. Tomoe Engineering and Companies**

Tomoe Group consists of Tomoe Engineering and its nine 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 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).

### ***Chemical Products Business:***

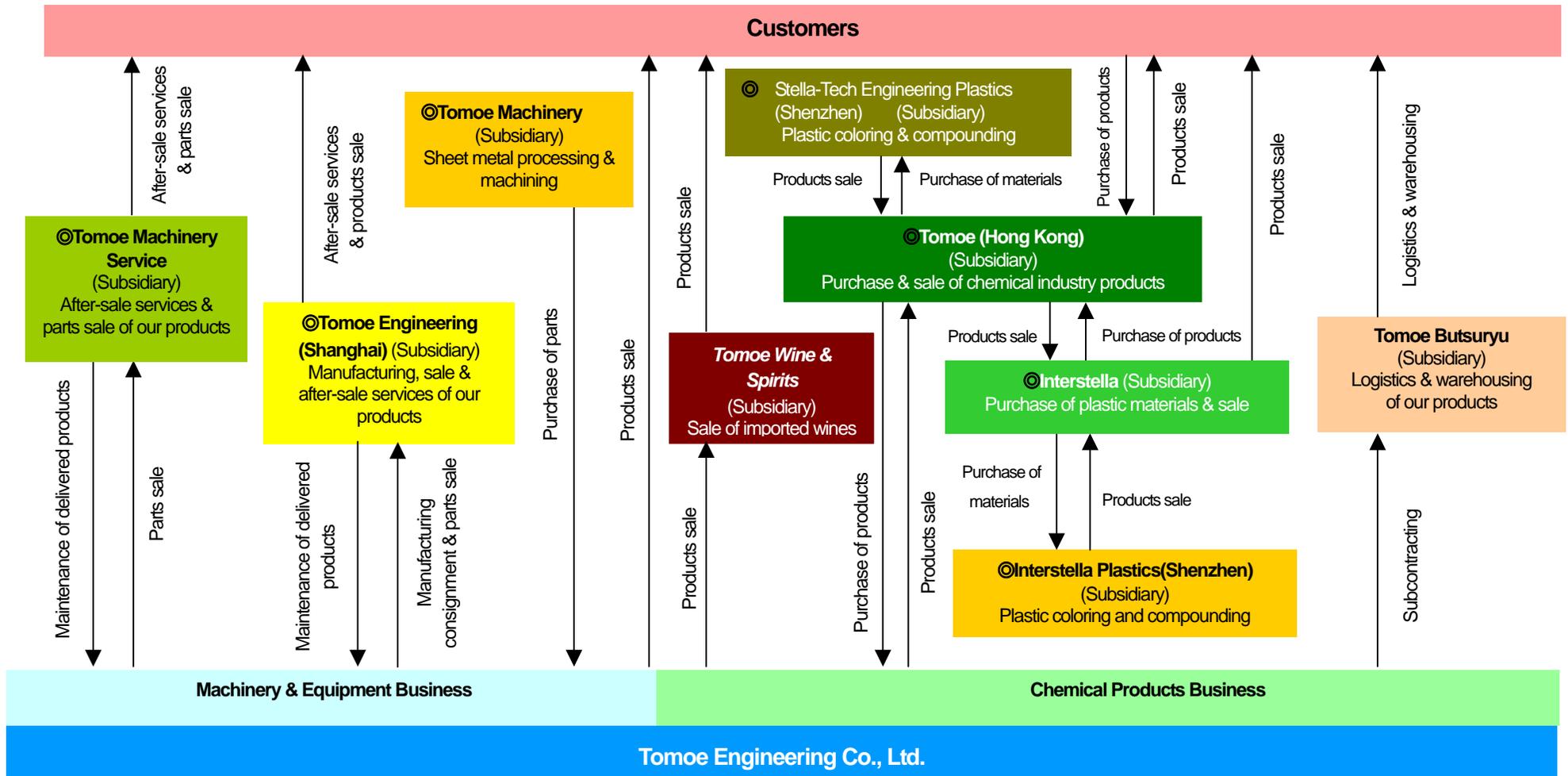
Interstella Plastics (Shenzhen) and Stella Tech Engineering Plastics (Shenzhen) are engaged in coloring and compounding of plastic materials. Our affiliate, Interstella is an investing company of Stella Tech Engineering Plastics (Shenzhen) and also serves as a contact for purchasing and sales. Tomoe (Hong Kong) is functioning as central core for sales activity in China in Tomoe Group. Tomoe Wine & Spirits distributes wines and spirits imported by Tomoe Engineering.

***Other Businesses:***

Tomoe Butsuryu subcontracts with our company for products' transportation and warehousing.

**Schematic diagram of Tomoe's operation is on the next page.**

(◎: Consolidated subsidiaries)



### **3. Management Policy**

#### **(1) Basic Management Philosophy**

Our basic management philosophy is to contribute to society and provide a good quality of life to people involved through growth and development of our company with spirit of creation and entrepreneurship and to provide our customers with high level of technologies and excellent products. Guided by this policy, we shall be engaged in the manufacture and sale of machinery based primarily on solid-liquid separation techniques and importation of unique and specialty raw materials for chemical industry.

#### **(2) Target Management Indices**

Rather than just aiming for a volume growth, in our Machinery & Equipment Business we always try to develop and sell products that require specialized technology, while in our Chemical Products Business we seek to handle unique, high value-added products that demand expertise, even if their market is not so large. To pursue these goals, we regard improvement of profitability as our primary management goal. As a management indicator for meeting these goals, we give highest priority to ordinary income, which directly expresses the nature and change of profitability.

#### **(3) Mid- and Long-term Management Strategy**

The long-term management strategy of Machinery & Equipment Business is to develop new products, reduce manufacturing cost, and develop overseas markets, and that of Chemical Products Business is to discover unique new commercial products to expand business in China.

To achieve continuous progress on our basic strategy, in September 2010 we formulated the Ninth Mid-term Management Plan "Tomoe 525" (from November 1, 2010 to October 31, 2013). The plan is devoted mainly to implementing measures based on the following policies after newly identifying the ideal approach to allocating management resources and capturing market share. In the Machinery & Equipment Business, we will expand foreign sales centered on China and the United States, while increasing domestic sales of our low-power, energy-saving centrifuge models. In the Chemical Products Business we will launch attractive new commercial products in cooperation with new, leading suppliers and strengthen our domestic and overseas plastic business, including our compounds business in Shenzhen, China. As our objective when pursuing these goals, we will seek to achieve consolidated net sales of 50,000 million yen and ordinary income of 2,500 million yen in the fiscal year ending October 2013, the final year of our mid-term management planning period. Since the close of the first year of the plan, we have focused on achieving each year's consolidated net sales, while continuing to study appropriate upward revisions of our consolidated ordinary income target in particular, based on the rolling results achieved in each fiscal year.

The Tohoku Pacific Offshore Earthquake that occurred in March 2011 is expected to have various effects on both the Machinery & Equipment Business and Chemical Products Business of the Tomoe Engineering Group in the future. When viewed over the medium-term, however, the overall negative impact is not expected to be great, and based on this point we have not revised the management concepts and operating plan laid out in our Ninth Mid-term Management Plan "Tomoe 525", which the Tomoe Engineering Group has been following so far.

#### **(4) Challenges to be addressed**

Given factors such as the escalation of competition between countries and region as the newly developing countries that are driving the global economy are transformed into advanced countries, eliminating the supply-demand gap in Japan is expected to require an even longer time. Moreover, as industry-related conditions

we cannot afford to ignore the spread of the open bidding system pertaining to public demand in the Machinery & Equipment Business, or the ongoing overseas shift of end users in our Chemical Products Business. Therefore we consider an appropriate response to changes in the business environment to be a priority issue, and we have formulated our Ninth Mid-term Management Plan aimed at further strengthening our market competitiveness domestically and developing new markets in other countries. Our policy in the future will remain focused on implementing management measures based on this plan, and achieving sustained growth and increasing stable earning capacity in both of our businesses.

To enhance and strengthen corporate governance and compliance we have established a Corporate Ethics Committee, and in the future this committee will take the lead in efforts to ensure management in full compliance with the letter and spirit of the law and improve corporate ethics. Moreover, from the view point of corporate governance, we plan to maintain our efforts to firmly establish wide-ranging risk management centered on our Risk Management Committee, and to pursue the consolidation of our management environment from an IT perspective by undertaking construction of our next-generation mission-critical systems.

#### 4. Consolidated Financial Statements

##### (1) Balance Sheets

	Year Ended October 31, 2010	Year Ended October 31, 2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Deposits	6,109,100	7,296,554
Notes and Accounts Receivable-Trade	13,324,042	12,478,424
Merchandise and Finished Goods	3,055,662	3,506,696
Work in Process	1,400,107	1,029,443
Raw Materials and Supplies	404,117	630,324
Deferred Tax Assets	618,454	634,782
Others	164,937	236,706
Allowance for Doubtful Accounts	(29,006)	(21,322)
<b>Total Current Assets</b>	<b>25,047,414</b>	<b>25,791,609</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	2,527,155	2,328,168
Accumulated Depreciation	(1,505,179)	(1,344,589)
Buildings and Structures, Net	1,021,976	983,579
Machinery, Equipment and Vehicles	3,435,773	3,395,764
Accumulated Depreciation	(2,623,977)	(2,662,256)
Machinery, Equipment and Vehicles, Net	811,796	733,508
Land	970,253	922,024
Lease Assets	76,962	71,702
Accumulated Depreciation	(39,169)	(52,851)
Lease Assets, Net	37,793	18,850
Construction in progress	0	2,545,240
Others	986,860	990,168
Accumulated Depreciation	(895,734)	(924,338)
Others, Net	91,126	65,830
<b>Total Property, Plant and Equipment</b>	<b>2,932,946</b>	<b>5,269,032</b>
Intangible Assets	80,245	65,585
Investments and Other Assets		
Investment Securities	697,362	665,846
Guarantee Deposits	412,798	364,657
Deferred Tax Assets	87,043	33,143
Others	602,102	591,086
Allowance for Doubtful Accounts	(80,377)	(78,405)
<b>Total Investments and Other Assets</b>	<b>1,718,929</b>	<b>1,576,328</b>
<b>Total Noncurrent Assets</b>	<b>4,732,121</b>	<b>6,910,947</b>
<b>Total Assets</b>	<b>29,779,536</b>	<b>32,702,557</b>

	Year Ended October 31, 2010	Year Ended October 31, 2011
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	6,477,307	6,485,604
Short-Term Loans Payable	585,923	534,045
Lease Obligations	24,132	14,556
Accounts Payable-Others	551,681	577,728
Income Taxes Payable	961,213	555,402
Advances Received	417,875	461,243
Provision for Bonuses	1,111,306	1,084,618
Provision for Directors' Bonuses	85,555	61,776
Allowance for Product Warranty	186,442	281,546
Others	327,562	270,113
<b>Total Current Liabilities</b>	<b>10,729,000</b>	<b>10,326,636</b>
<b>Noncurrent Liabilities</b>		
Lease Obligations	22,553	7,992
Provision for Retirement Benefits	32,538	36,745
Provision for Directors' Retirement Benefits	142,760	31,760
Deferred Tax Liabilities	108	969,595
<b>Total Noncurrent Liabilities</b>	<b>197,960</b>	<b>1,046,093</b>
<b>Total Liabilities</b>	<b>10,926,961</b>	<b>11,372,730</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	16,613,067	19,179,264
Treasury Stock	(363,194)	(363,319)
<b>Total Shareholders' Equity</b>	<b>18,794,492</b>	<b>21,360,564</b>
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	53,585	51,626
Deferred Gains or Losses on Hedges	(7,411)	230
Foreign Currency Translation Adjustment	(257,190)	(321,821)
<b>Total Valuation and Translation Adjustments</b>	<b>(211,016)</b>	<b>(269,965)</b>
<b>Minority Interests</b>	<b>269,098</b>	<b>239,227</b>
<b>Total Net Assets</b>	<b>18,852,575</b>	<b>21,329,827</b>
<b>Total Liabilities and Net Assets</b>	<b>29,779,536</b>	<b>32,702,557</b>

## (2) Statements of Consolidated Income

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
<b>Net Sales</b>	38,816,975	42,375,003
<b>Cost of Sales</b>	30,479,260	33,593,611
<b>Gross Profit</b>	8,337,714	8,781,392
<b>Selling, General and Administrative Expenses</b>	6,164,689	6,360,127
<b>Operating Income</b>	2,173,024	2,421,264
<b>Non-Operating Income</b>		
Interest income	6,790	11,131
Dividends Income	15,148	22,012
Rent Income	16,850	12,089
Foreign Exchange Gains	52,542	0
Gain on Valuation of Derivatives	0	137,398
Others	42,234	35,204
<b>Total Non-Operating Income</b>	133,566	217,836
<b>Non-Operating Expenses</b>		
Interest Expenses	7,911	7,244
Loss on Sales of Notes Payable	75	71
Commission Paid	10,008	9,975
Foreign Exchange Loss	0	12,084
Loss on Valuation of Derivatives	93,496	0
Others	15,976	14,338
<b>Total Non-Operating Expenses</b>	127,469	43,714
<b>Ordinary Income</b>	2,179,121	2,595,386
<b>Extraordinary Income</b>		
Gain on Sales of Noncurrent Assets	0	8,294
Gain on conversion of fixed asset rights	0	2,444,103
Gain on Sales of Investment Securities	159,344	14,190
Reversal of Allowance for Doubtful Accounts	13,207	17,503
<b>Total Extraordinary Income</b>	172,552	2,484,092
<b>Extraordinary Losses</b>		
Loss on Retirement of Noncurrent Assets	5,229	8,327
Loss on Sales of Investment Securities	466	0
Loss on Valuation of Investment Securities	120,049	33,546
Provision of Allowance for Doubtful Accounts	420	1,650
Loss on adjustment for changes of accounting standard for asset retirement obligations	0	28,715

<b>Total Extraordinary Losses</b>	126,165	72,239
Income before Income Taxes and Minority Interests	2,225,508	5,007,239
Income Taxes-Current	1,142,975	1,108,742
Income Taxes-Deferred	(285,752)	1,005,822
<b>Total Income Taxes</b>	857,222	2,114,565
Income before minority interests	0	2,892,673
Minority Interests Income	13,428	(22,780)
<b>Net Income</b>	1,354,856	2,915,454

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
Income before minority interests	0	2,892,673
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(1,958)
Deferred Gains or Losses on Hedges	0	7,641
Foreign Currency Translation Adjustment	0	(71,721)
Total other comprehensive income	0	*2 (66,038)
<b>Comprehensive income</b>	<b>0</b>	<b>*1 2,826,635</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	0	2,856,506
Comprehensive income attributable to minority interests	0	(29,871)

### (3) Consolidated Statements of Changes in Shareholders' Equity

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
Shareholders' Equity		
Common Stock		
Surplus during Previous Fiscal Year	1,061,210	1,061,210
Changes during This Fiscal Year		
Total Amount Changed	0	0
Surplus during This Fiscal Year	1,061,210	1,061,210
Capital Surplus		
Surplus during Previous Fiscal Year	1,483,410	1,483,410
Changes during This Fiscal Year		
Total Amount Changed	0	0
Surplus during This Fiscal Year	1,483,410	1,483,410
Retained Earnings		
Surplus during Previous Fiscal Year	15,557,577	16,613,067
Changes during This Fiscal Year		
Cash Dividend Paid	(299,367)	(349,257)
Net Income	1,354,856	2,915,454
Total Amount Changed	1,055,489	2,566,197
Surplus during This Fiscal Year	16,613,067	19,179,264
Issued Shares Reacquired		
Surplus During Previous Fiscal Year	(363,045)	(363,194)
Changes During This Fiscal Year		
Issued Shares Reacquired	(148)	(125)
Total Amount Changed	(148)	(125)
Surplus during This Fiscal Year	(363,194)	(363,319)
Total Shareholders' Equity		
Surplus during Previous Fiscal Year	17,739,152	18,794,492
Changes during This Fiscal Year		
Cash Dividend Paid	(299,367)	(349,257)
Net Income	1,354,856	2,915,454
Issued Shares Reacquired	(148)	(125)
Total Amount Changed	1,055,340	2,566,071
Surplus during This Fiscal Year	18,794,492	21,360,564

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
Revaluation and Translation Adjustments		
Valuation Difference on Available-for-sale Securities		
Surplus during Previous Fiscal Year	77,749	53,585
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	(24,164)	(1,958)
Changes during This Fiscal Year	(24,164)	(1,958)
Surplus during This Fiscal Year	53,585	51,626
Deferred Gains or Losses on Hedges		
Surplus during Previous Fiscal Year	(712)	(7,411)
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	(6,699)	7,641
Changes during This Fiscal Year	(6,699)	7,641
Surplus during This Fiscal Year	(7,411)	230
Foreign Currency Translation Adjustment		
Surplus during Previous Fiscal Year	(173,790)	(257,190)
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	(83,399)	(64,631)
Changes during This Fiscal Year	(83,399)	(64,631)
Surplus during This Fiscal Year	(257,190)	(321,821)
Total Revaluation and Translation Adjustments		
Surplus during Previous Fiscal Year	(96,753)	(211,016)
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	(114,262)	(58,948)
Changes during This Fiscal Year	(114,262)	(58,948)
Surplus during This Fiscal Year	(211,016)	(269,965)
Minority Interests		
Surplus during Previous Fiscal Year	279,145	269,098
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	(10,046)	(29,871)
Changes during This Fiscal Year	(10,046)	(29,871)
Surplus during This Fiscal Year	269,098	239,227

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
Total Net Assets		
Surplus during Previous Fiscal Year	17,921,544	18,852,575
Changes during This Fiscal Year		
Cash Dividend Paid	(299,367)	(349,257)
Net Income	1,354,856	2,915,454
Issued Shares Reacquired	(148)	(125)
Total (Net) Amount Changed (Except Shareholders' Equity)	(124,309)	(88,819)
Total Amount Changed	931,030	2,477,252
Surplus during This Fiscal Year	18,852,575	21,329,827

#### (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes and Minority Interests	2,225,508	5,007,239
Depreciation and Amortization	396,574	379,736
Increase (Decrease) in Provision for Bonuses	321,002	(25,056)
Increase (Decrease) in Provision for Directors' Bonuses	37,084	(23,778)
Increase (Decrease) in Allowance for Product Warranty	31,444	95,104
Increase (Decrease) in Provision for Retirement Benefits	3,578	4,416
Increase (Decrease) in Provision for Directors' Retirement Benefits	0	(111,000)
Increase (Decrease) in Allowance for Doubtful Accounts	(16,795)	(9,655)
Interests and Dividends Income	(21,939)	(33,144)
Interest Expenses	7,911	7,244
Foreign Exchange Losses (Gains)	18,307	11,203
Loss (Gain) on Valuation of Investment Securities	120,049	33,546
Loss (Gain) on Valuation of Derivatives	93,496	(137,398)
Loss (Gain) on Sales of Investment Securities	(158,878)	(14,190)
Loss (Gain) on Sales of Noncurrent Assets	0	(8,294)
Loss on Retirement of Noncurrent Assets	5,229	8,327
Gain on conversion of fixed asset rights	0	(2,444,103)
Loss on adjustment for changes of accounting standard for asset retirement obligations	0	28,715
Decrease (Increase) in Notes and Accounts Receivable-Trade	(1,446,405)	781,796
Decrease (Increase) in Inventories	(619,322)	(337,740)
Increase (Decrease) in Notes and Accounts Payable-Trade	1,151,232	58,628
Increase (Decrease) in Accounts Payable-Others	104,518	9,773
Increase (Decrease) in Advances Received	176,736	46,535
Increase (Decrease) in Accrued Consumption Taxes	(93,512)	19,820
Others, Net	(148,507)	15,008
Sub total	2,187,314	3,362,734
Interests and Dividends Income Received	21,920	30,047
Interest Expenses Paid	(14,383)	(7,244)
Income Taxes Paid	(12,590)	(1,511,506)
Net Cash Provided by (Used in) Operating Activities	2,182,261	1,874,031

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2010
<b>Net Cash Provided by (Used in) Investment Activities</b>		
Disbursement to Time Deposits	(2,378,526)	(2,520,110)
Proceeds from Withdrawal of Time Deposits	2,378,526	2,520,110
Purchase of Property, Plant and Equipment	(203,405)	(275,337)
Proceeds from Sales of Property, Plant and Equipment	25	23,231
Purchase of Intangible Fixed Assets	(48,066)	(6,842)
Purchase of Investment Securities	(14,102)	(17,869)
Proceeds from Sales of Investment Securities	218,683	23,425
Collection of Loans Receivable	2,822	4,800
Payments of Loans Receivable	(3,925)	(1,720)
Guarantee Deposits (Increase)	(3,632)	11,002
Others, Net	(370)	(553)
Net Cash Provided by (Used in) Investment Activities	(51,972)	(239,863)
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Repayments of Lease Obligations	(28,107)	(24,137)
Repayment of Long-Term Loans Payable	(60,000)	0
Purchase of Treasury Stock	(148)	(125)
Cash Dividends Paid	(299,367)	(349,257)
Cash Dividends Paid to Minority Shareholders	(6,740)	0
Net Cash Provided by (Used in) Financing Activities	(394,363)	(373,520)
<b>Cash and Cash Equivalents</b>		
Effect of Exchange Rate Change on Cash and Cash Equivalents	(74,618)	(73,192)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,661,307</b>	<b>1,187,454</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>4,447,793</b>	<b>6,109,100</b>
<b>Cash and Cash Equivalents at End of This Fiscal Year</b>	<b>6,109,100</b>	<b>7,296,554</b>

## (5) Notes for Premise of Going Concern

None.

## (6) Changes of Important Items to be Basis for Making Consolidated Financial Statements

### [Changes of Accounting Policy]

Current consolidated fiscal year (Year Ended October 31, 2011)
<p>Application of the “Accounting Standard for Asset Retirement Obligations”</p> <p>Beginning from the current consolidated fiscal year, the Company has adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan Statement No. 18 dated March 31, 2008 and the “Guidance on Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan Guidance No. 21 dated March 31, 2008).</p> <p>As a result of this change, operating income and ordinary income were 7,042,000 yen lower, and income before income taxes and minority interests was 35,757,000 yen lower, than what they otherwise would have been had the accounting standard used in previous consolidated fiscal years been applied.</p>

### [Changes in reporting methods]

Current consolidated fiscal year (Year Ended October 31, 2011)
<p>(Change related to the Consolidated Balance Sheets)</p> <p>Until the previous consolidated accounting fiscal year, the Company reported “construction in progress” (11,361,000 yen in the prior consolidated fiscal year yen) in “Other non-current accounts” under property, plant and equipment. Beginning from the current consolidated fiscal year, the Company has reported this item separately because the amount exceeded 1/100 of the amount of total assets.</p>
<p>(Change related to the Consolidated Statements of Income)</p> <p>Beginning from the current consolidated fiscal year, the Company will apply the <i>Cabinet Office Ordinance Partially Revising the Regulations for Terminology, Formats and Preparation Methods of Financial Statements</i> (Cabinet Ordinance No. 5 dated March 24, 2009), based on “Accounting Standard for Consolidated Financial Statements” (Accounting Standards Board of Japan Statement No. 22 dated December 26, 2008) and has disclosed the line item “income before adjustment for minority interests (loss)”</p>

### [Additional Information]

Current consolidated fiscal year (Year Ended October 31, 2011)
<p>Application of “Accounting Standard for Presentation of Comprehensive Income”</p> <p>Beginning from the current consolidated fiscal year, the Company has adopted “Accounting Standard for Presentation of Comprehensive Income” (Accounting Standards Board of Japan Statement No. 25 dated June 30, 2010). However, the prior consolidated fiscal year amounts for “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” are reported in the amounts shown for “Valuation and translation adjustments” and “Total valuation and translation adjustments.”</p>

## (7) Notes for Consolidated Financial Statements

(Change related to the Consolidated Statements of Comprehensive Income)

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

Note 1 Comprehensive income in the consolidated fiscal year immediately preceding the current consolidated fiscal year

Comprehensive income attributable to owners of the parent (thousand yen)	1,240,593
Comprehensive income attributable to minority interests (thousand yen)	(3,306)
<hr/>	
Total (thousand yen)	1,237,286

Note 2 Other comprehensive income in the consolidated fiscal year immediately preceding the current consolidated fiscal year

Valuation difference on other investment securities (thousand yen)	(24,164)
Deferred gains or losses on hedges (thousand yen)	(6,699)
Translation adjustments account (thousand yen)	(100,134)
<hr/>	
Total (thousand yen)	(130,998)

(Segment Information)

Segment by type of business

Year Ended October 31, 2010

(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	11,522,802	27,294,172	38,816,975	0	38,816,975
(2) Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	11,522,802	27,294,172	38,816,975	0	38,816,975
Operating Costs	10,562,394	26,081,556	36,643,950	0	36,643,950
Operating Income	960,407	1,212,616	2,173,024	0	2,173,024
II. Assets, Depreciation Costs, Impairment Loss and Capital Expenditures:					
Assets	8,321,670	14,651,402	22,973,072	6,806,463	29,779,536
Depreciation Costs	271,867	124,707	396,574	0	396,574
Capital Expenditures	191,759	81,508	273,267	0	273,267

(Notes)

1. Business classification is by aggregate sales classification.
2. Main products and goods in each business:
  - (1) Machinery & Equipment Business: Various types of centrifuge and other machinery
  - (2) Chemical Products Business: Synthetic resin, industrial materials and 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 6,806,463 thousand yen. The main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.

## Segment by Location

Year Ended October 31, 2010

(Thousands of yen)

	Japan	Asia	Total	Deletion or Entire Company	Consolidated
I. Sales and Operating Income:					
Sales					
(1) Sales to Unaffiliated Customers	35,431,281	3,385,693	38,816,975	0	38,816,975
(2) Internal Sales Among Segments or Amount Transferred	352,789	232,275	585,065	(585,065)	0
Total	35,784,071	3,617,969	39,402,040	(585,065)	38,816,975
Operating Costs	33,707,673	3,521,023	37,228,696	(584,746)	36,643,950
Operating Income	2,076,397	96,946	2,173,343	(319)	2,173,024
II. Assets	20,808,368	2,353,186	23,161,555	6,617,981	29,779,536

(Notes)

1. Main countries or regions included in the areas other than Japan:

Asia: China, Korea, and Indonesia (Total 3 countries)

2. Of the assets in the current consolidated fiscal year, the amount of the total company assets included in deletion or total company items is 6,806,463 thousand yen. The main items are surplus funds applied (deposits) and long-term investment funds (investment securities) of the parent company.

## Overseas Sales

Year Ended October 31, 2010

(Thousands of yen)

	Asia	Other Regions	Total
I. Overseas Sales	8,171,648	691,907	8,863,555
II. Consolidated Sales	0	0	38,816,975
III. Percentage of Overseas Sales for Consolidated Sales (Percent)	21.1	1.8	22.8

(Notes)

1. Areas including countries or regions are determined based on their degree of geographical proximity.

2. Main countries or regions included in the areas other than Japan:

(1) Asia: China, Korea, Taiwan, and Indonesia

(2) Other regions: America and Europe

3. Overseas net sales are sales of our company and subsidiaries made in countries and regions other than Japan.

## (Segment Information)

### 1 Summary of Reporting Segments

TOMOE Engineering Co., Ltd. has established two operational headquarters. These operational headquarters are developing their business activities by planning comprehensive domestic and overseas strategies for the respective manufactured and commercial products they handle.

We therefore have assumed these two businesses, referred to as the "Machinery & Equipment Business" and the "Chemical Products Business", as our company reporting segments. The Machinery & Equipment Business mainly manufactures and sells centrifuge decanters, and the Chemical Products Business mainly manufactures, stocks and sells chemical industry products.

The Company's reporting segments are those units of the Company's for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

### 2 Method for calculating amounts of net sales, income or loss, assets, liabilities and other items for each reporting segment

The accounting methods for reporting segments are identical to the accounting methods adopted for preparation of the consolidated financial statements.

### 3 Information concerning the amount of net sales, income or loss, assets, liabilities and other items for each reporting segment

Previous consolidated fiscal year (From November 1, 2009 to October 31, 2010)

The Company has omitted a description of this item because similar information has been disclosed as segment information on the consolidated financial statements, based on the Company's traditional accounting treatment for segment information, for circumstances that comply with "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Statement No. 17 dated March 27, 2009).

### Year Ended October 31, 2011

(Thousands of yen)

	Reporting segment			Amount of adjustment Note 1	Consolidated financial statements Reported amount Note 2
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	12,480,061	29,894,942	42,375,003	0	42,375,003
Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	12,480,061	29,894,942	42,375,003	0	42,375,003
Segment income	1,114,855	1,306,409	2,421,264	0	2,421,264
Segment assets	7,057,453	15,168,764	22,226,217	10,476,339	32,702,557
Other items					
Depreciation & amortization	269,309	110,427	379,736	0	379,736
Increase in property, plant & equipment and intangible assets	193,337	94,380	287,717	2,513,938	2,801,656

(Notes)

1. For assets, the adjustment amount is mainly idle operating funds (cash on hand and in banks), long-term investments (investment securities) and assets acquired in relation to a district redevelopment project.
2. The total amount for segment income agrees with the operating income reported on the Consolidated Statement of Income.

(Supplemental information)

Beginning from the current consolidated fiscal year, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Statement No. 17, revision dated March 27, 2009 and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Guidance No. 20 dated March 31, 2008).

(Related information)

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

Regional Information

**1. Net Sales** (Thousands of yen)

Japan	Asia	Others	Total
32,592,409	7,376,545	2,406,048	42,375,003

**2. Property, Plant and Equipment** (Thousands of yen)

Japan	Asia	Total
4,969,342	299,689	5,269,032

(Per Share Information)

<b>Year Ended October 31, 2010</b>	<b>Year Ended October 31, 2011</b>
Net asset per share: ¥1,862. <sup>30</sup>	Net asset per share: ¥2,113. <sup>56</sup>
Net income per share: ¥135. <sup>77</sup>	Net income per share: ¥292. <sup>17</sup>
Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.	Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.

(Note 1) Calculation basis for net asset per share are as follows:

	<b>Year Ended October 31, 2010</b>	<b>Year Ended October 31, 2011</b>
Total for net asset in consolidated balance sheet (thousands of yen)	18,852,575	21,329,827
Net asset for common stock (thousands of yen)	18,583,476	21,090,599
Breakdown of main difference (thousands of yen) Quotient of minority shareholders	269,098	239,227
Number of outstanding common stock (share)	10,533,200	10,533,200
Number of treasury stock (share)	554,418	554,501
Number of common stock used for calculation of net assets per share (share)	9,978,782	9,978,699

(Note 2) Calculation basis for net income per share are as follows:

	<b>Year Ended October 31, 2010</b>	<b>Year Ended October 31, 2011</b>
Net income for this fiscal year (thousands of yen)	1,354,856	2,915,454
Net income for common stock (thousands of yen)	1,354,856	2,915,454
Average number of common stock during the fiscal year	9,978,821	9,978,725

(Significant subsequent events)

None.

## 5. Non-Consolidated Financial Statements

### (1) Balance Sheets

(Thousands of yen)

Assets	81 <sup>st</sup> Period (October 31, 2010)	82 <sup>nd</sup> Period (October 31, 2011)
<b>Current Assets</b>		
Cash and Deposits	4,767,726	5,977,638
Notes Receivable-Trade	3,476,336	3,012,122
Accounts Receivable-Trade	8,953,004	8,517,995
Merchandise and Finished Goods	2,138,637	2,455,679
Work in Process	1,303,267	898,642
Raw Materials and Supplies	348,167	573,146
Advance Payment	52,812	34,260
Prepaid Expense	72,307	80,838
Accrued Revenue	8,905	20,873
Short-Term Loans Receivable	54,813	51,709
Deferred Tax Assets	591,193	592,910
Others	8,750	27,969
Allowance for Doubtful Accounts	(28,793)	(21,428)
<b>Total Current Assets</b>	<b>21,747,128</b>	<b>22,222,359</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings	2,081,553	1,872,337
Accumulated Depreciation	(1,158,021)	(1,008,035)
Buildings, Net	923,531	864,302
Structures	146,549	142,515
Accumulated Depreciation	(124,365)	(121,969)
Structures, Net	22,183	20,546
Machinery and Equipment	2,369,370	2,245,184
Accumulated Depreciation	(1,947,782)	(1,905,177)
Machinery and Equipment, Net	421,587	340,006
Vehicles	39,437	39,437
Accumulated Depreciation	(38,648)	(39,042)
Vehicles, Net	788	394
Tools, Instrument and Equipment	860,362	875,548
Accumulated Depreciation	(797,918)	(827,229)
Tools, Instrument and Equipment, Net	62,443	48,319
Land	925,882	877,653
Lease Assets	73,974	68,714
Accumulated Depreciation	(37,376)	(50,162)
Lease Assets, Net	36,598	18,551

(Thousands of yen)

	81 <sup>st</sup> Period (October 31, 2010)	82 <sup>nd</sup> Period (October 31, 2011)
Construction in Progress	0	2,543,938
<b>Total Property, Plant and Equipment</b>	2,393,015	4,713,712
Intangible Assets		
Software	63,717	53,925
Lease Asset	7,612	2,788
Telephone Rights	8,165	8,165
<b>Total Intangible Assets</b>	79,495	64,880
Investments and Other Assets		
Investment Securities	645,862	614,346
Stocks of Affiliated Companies	483,765	483,765
Investments – Affiliated Companies	371,395	371,395
Long-Term Loans Receivable to Employees	4,848	2,862
Claims in Bankruptcy	33,046	32,023
Prepaid Pension Expense	521,499	520,777
Guarantee Deposits	394,830	347,100
Deferred Tax Assets	17,675	0
Others	76,515	73,789
Allowance for Doubtful Accounts	(80,377)	(78,405)
<b>Total Investments and Other Assets</b>	2,469,060	2,367,655
<b>Total Noncurrent Assets</b>	4,941,572	7,146,247
<b>Total Assets</b>	26,688,700	29,368,607

(Thousands of yen)

<b>Liabilities and Net Assets</b>	<b>81<sup>st</sup> Period (October 31, 2010)</b>	<b>82<sup>nd</sup> Period (October 31, 2011)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes Payable-Trade	1,133,947	719,619
Accounts Payable-Trade	4,630,191	4,768,583
Lease Obligations	23,236	14,257
Accounts Payable-Others	491,309	512,207
Income Taxes Payable	880,921	491,053
Accrued Business Tax	8,748	8,471
Accrued Consumption Tax	5,792	29,002
Provision for Bonuses	1,025,034	990,165
Provision for Directors' Bonuses	84,627	56,303
Allowance for Product Warranty	186,442	281,546
Accrued Expenses	15	15
Advances Received	379,427	395,109
Deposit Payable	81,936	138,205
Guarantee Deposit	57,082	80,565
Derivatives Liabilities	145,378	0
<b>Total Current Liabilities</b>	<b>9,134,091</b>	<b>8,485,106</b>
<b>Noncurrent Liabilities</b>		
Lease Obligations	22,254	7,992
Provision for Retirement Benefits	5,050	5,835
Provision for Directors' Retirement Benefits	142,760	31,760
Deferred Tax Liabilities	0	969,595
<b>Total Noncurrent Liabilities</b>	<b>170,065</b>	<b>1,015,184</b>
<b>Total Liabilities</b>	<b>9,304,157</b>	<b>9,500,290</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital Stock	1,061,210	1,061,210
Capital Surplus		
Capital Reserve	1,483,410	1,483,410
<b>Total Capital Surplus</b>	<b>1,483,410</b>	<b>1,483,410</b>
Retained Earnings		
Legal Reserve of Retained Earnings	230,000	230,000
Other Retained Surplus		
Provision for Dividend Reserve	250,000	250,000
Reserve for Deferred Gains on Fixed Assets	25,426	24,071
Other Reserve	13,150,000	13,900,000

(Thousands of yen)

	<b>81<sup>st</sup> Period</b> <b>(October 31, 2010)</b>	<b>82<sup>nd</sup> Period</b> <b>(October 31, 2011)</b>
Earned Surplus Carried Forward	1,498,838	3,231,089
<b><i>Total Retained Earnings</i></b>	<b>15,154,264</b>	<b>17,635,160</b>
<b>Treasury Stock</b>	<b>(363,194)</b>	<b>(363,319)</b>
<b><i>Total Shareholders' Equity</i></b>	<b>17,335,690</b>	<b>19,816,460</b>
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	53,585	51,626
Deferred Gains or Losses on Hedges	(4,731)	230
<b>Total Valuation and Translation Adjustments</b>	<b>48,853</b>	<b>51,856</b>
<b><i>Total Net Assets</i></b>	<b>17,384,543</b>	<b>19,868,317</b>
<b>Total Liabilities and Net Assets</b>	<b>26,688,700</b>	<b>29,368,607</b>

## (2) Statements of Income

(Thousands of yen)

	81 <sup>st</sup> Period (October 31, 2010)	82 <sup>nd</sup> Period (October 31, 2011)
<b>Net Sales</b>		
Sales of Finished Goods	10,876,403	11,842,600
Merchandise Sale	25,116,175	27,979,757
<b>Total Cost of Sales</b>	35,992,578	39,822,357
<b>Cost of Sales</b>		
Cost of Finished Goods Sold		
Beginning Inventory	18,363	253,755
Cost of Manufacture	7,767,214	8,215,695
<b>Total</b>	7,785,578	8,469,450
Ending Inventory	253,755	61,193
Cost of Sales	7,531,822	8,408,257
Cost of Merchandise Sold		
Beginning Inventory	1,704,516	1,884,881
Purchase Amount	21,159,705	23,898,582
<b>Total</b>	22,864,221	25,783,464
Ending Inventory	1,884,881	2,394,485
Cost of Sales	20,979,340	23,388,978
<b>Total Cost of Sales</b>	28,511,162	31,797,235
<b>Gross Profit</b>	7,481,415	8,025,121
<b>Selling, General and Administrative Expenses</b>	5,667,795	5,859,011
<b>Operating Income</b>	1,813,620	2,166,109
<b>Non-Operating Income</b>		
Interest income	3,655	3,780
Dividends Income	75,446	91,590
Rent Income	69,766	65,005
Foreign Exchange Gains	58,052	0
Gain on Valuation of Derivatives	0	137,398
Others	30,854	27,812
<b>Total Non-Operating Income</b>	237,775	325,586
<b>Non-Operating Expenses</b>		
Interest Expenses	1,475	1,172
Loss on Sales of Notes Payable	75	71
Rental Cost	26,937	23,898
Commission Paid	10,008	9,975
Foreign Exchange Loss	0	36,392
Loss on Valuation of Derivatives	93,496	0
Others	14,119	12,887
<b>Total Non-Operating Expenses</b>	146,113	84,398
<b>Ordinary Income</b>	1,905,282	2,407,298

(Thousands of yen)

	81 <sup>st</sup> Period (October 31, 2010)	82 <sup>nd</sup> Period (October 31, 2011)
<b>Extraordinary Income</b>		
Gain on Sales of Property, Plant and Equipment	0	10,410
Gain on conversion of fixed asset rights	0	2,444,103
Gain on Sales of Investment Securities	159,344	14,190
Reversal of Allowance for Doubtful Accounts	13,617	17,185
<b>Total Extraordinary Income</b>	172,962	2,485,889
<b>Extraordinary Losses</b>		
Loss on Retirement of Noncurrent Assets	4,545	6,421
Loss on Sales of Investment Securities	466	0
Loss on Valuation of Investment Securities	120,049	1,650
Bad and Doubtful Debt	420	420
Loss on adjustment for changes of accounting standard for asset retirement obligations	0	28,715
<b>Total Extraordinary Losses</b>	125,481	70,333
Income before Income Taxes and Minority Interests	1,952,762	4,822,853
Income Taxes-Current	1,035,404	1,005,906
Income Taxes-Deferred	(259,910)	986,794
<b>Total Income Taxes</b>	775,493	1,992,700
<b>Net Income</b>	1,177,269	2,830,153

### (3) Statements of Changes in Shareholders' Equity

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
Shareholders' Equity		
Capital Stock		
Surplus during Previous Fiscal Year	1,061,210	1,061,210
Changes during This Fiscal Year		
Total Amount Changed	0	0
Surplus during This Fiscal Year	1,061,210	1,061,210
Capital Surplus		
Capital Reserve		
Surplus during Previous Fiscal Year	1,483,410	1,483,410
Changes during This Fiscal Year		
Total Amount Changed	0	0
Surplus during This Fiscal Year	1,483,410	1,483,410
Retained Earnings		
Earned Reserve		
Surplus during Previous Fiscal Year	230,000	230,000
Changes during This Fiscal Year		
Total Amount Changed	0	0
Surplus during This Fiscal Year	230,000	230,000
Other Retained Earnings		
Reserve for dividend allowance		
Surplus during Previous Fiscal Year	250,000	250,000
Changes during This Fiscal Year		
Total Amount Changed	0	0
Surplus during This Fiscal Year	250,000	250,000
Reserve for Deferred Gains on Fixed Assets		
Surplus during Previous Fiscal Year	26,720	25,426
Changes during This Fiscal Year		
Reversal of Reserve for Deferred Gains on Fixed Assets	(1,293)	(1,355)
Total Amount Changed	(1,293)	(1,355)
Surplus during This Fiscal Year	25,426	24,071
Other Reserve		
Surplus during Previous Fiscal Year	12,400,000	13,150,000
Changes during This Fiscal Year		
Accumulation of Other Reserve	750,000	750,000
Total Amount Changed	750,000	750,000
Surplus during This Fiscal Year	13,150,000	13,900,000
Earned Surplus Carried Forward		
Surplus during Previous Fiscal Year	1,369,642	1,498,838
Changes during This Fiscal Year		

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
Reversal of Reserve for Deferred Gains on Fixed Assets	1,293	1,355
Accumulation of Other Reserve	(750,000)	(750,000)
Cash Dividend Paid	(299,367)	(349,257)
Net Income	1,177,269	2,830,153
Total Amount Changed	129,195	1,732,251
Surplus during This Fiscal Year	1,498,838	3,231,089
Total Retained Earnings		
Surplus during Previous Fiscal Year	14,276,362	15,154,264
Changes during This Fiscal Year		
Reversal of Reserve for Deferred Gains on Fixed Asset	0	0
Accumulation of Other Reserve	0	0
Cash Dividend Paid	(299,367)	(349,257)
Net Income	1,177,269	2,830,153
Total Amount Changed	877,901	2,480,896
Surplus during This Fiscal Year	15,154,264	17,635,160
Treasury Stock		
Surplus during Previous Fiscal Year	(363,045)	(363,194)
Changes during This Fiscal Year		
Issued Shares Reacquired	(148)	(125)
Total Amount Changed	(148)	(125)
Surplus during This Fiscal Year	(363,194)	(363,319)
Total Shareholders' Equity		
Surplus during Previous Fiscal Year	16,457,936	17,335,690
Changes during This Fiscal Year		
Cash Dividend Paid	(299,367)	(349,257)
Net Income	1,177,269	2,830,153
Issued Shares Reacquired	(148)	(125)
Total Amount Changed	877,753	2,480,770
Surplus during This Fiscal Year	17,335,690	19,816,460
Valuation and Translation Adjustments		
Valuation Difference on Available-for-sale Securities		
Surplus During Previous Fiscal Year	77,749	53,585
Changes During This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	(24,164)	(1,958)
Changes during This Fiscal Year	(24,164)	(1,958)
Surplus during This Fiscal Year	53,585	51,626
Deferred Gains or Losses on Hedges		
Surplus during Previous Fiscal Year	(712)	(4,731)
Changes during This Fiscal Year		

(Thousands of yen)

	Year Ended October 31, 2010	Year Ended October 31, 2011
Total (Net) Amount Changed (Except Shareholders' Equity)	(4,019)	4,962
Changes during This Fiscal Year	(4,019)	4,962
Surplus during This Fiscal Year	(4,731)	230
Total Valuation and Translation Adjustments		
Surplus during Previous Fiscal Year	77,037	48,853
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	(28,184)	3,003
Changes during This Fiscal Year	(28,184)	3,003
Surplus during This Fiscal Year	48,853	51,856
Total Net Assets		
Surplus during Previous Fiscal Year	16,534,974	17,384,543
Changes during This Fiscal Year		
Cash Dividend Paid	(299,367)	(349,257)
Net Income	1,177,269	2,830,153
Issued Shares Reacquired	(148)	(125)
Total (Net) Amount Changed (Except Shareholders' Equity)	(28,184)	3,003
Total Amount Changed	849,568	2,483,773
Surplus during This Fiscal Year	17,384,543	19,868,317

#### (4) Notes for Premise of Going Concern

None.

#### (5) Notes for Non-Consolidated Financial Statements

(Per Share Information)

<b>81<sup>st</sup> Period</b> <b>Year Ended October 31, 2010</b>	<b>82<sup>nd</sup> Period</b> <b>Year Ended October 31, 2011</b>
Net asset per share: ¥1,742. <sup>15</sup>	Net asset per share: ¥1,991. <sup>07</sup>
Net income per share: ¥117. <sup>98</sup>	Net income per share: ¥283. <sup>62</sup>
Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.	Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.

(Note) Calculation basis

##### 1. Net assets per share

	<b>81<sup>st</sup> Period</b> <b>(Year Ended</b> <b>October 31, 2010)</b>	<b>82<sup>nd</sup> Period</b> <b>(Year Ended</b> <b>October 31, 2011)</b>
Total for net assets in balance sheets (Thousands of yen)	17,384,543	19,868,317
Net assets for common stock (Thousands of yen)	17,384,543	19,868,317
Number of outstanding common stock (Share)	10,533,200	10,533,200
Number of treasury common stock (Share)	554,418	554,501
Number of common stock as of the end of the current consolidated fiscal year used for calculation of net assets per share (Shares)	9,978,782	9,978,699

##### 2. Net income per share

	<b>81<sup>st</sup> Period</b> <b>(Year Ended October 31, 2010)</b>	<b>82<sup>nd</sup> Period</b> <b>(Year Ended October 31, 2011)</b>
Net income for this fiscal year (Thousands of yen)	1,177,269	2,830,153
Net income for common stock (Thousands of yen)	1,177,269	2,830,153
Average number of common stock during the fiscal year (Shares)	9,978,821	9,978,725

## 6. Other Notes

### (1) Appointment of Officers

1) Representative Director: No change

2) Other Directors:

1. Candidate for newly appointed Corporate Auditor

Auditor	Toshiharu Murase	(Currently Vice President and Director, Mizuho Factors, Ltd.)
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2. Retiring Auditor

Auditor	Nobushiro Yoshida
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Note: Mr. Toshiharu Murase, a candidate for Corporate Auditor qualifies as an outside auditor.