

# Financial Results for the Fiscal Year Ended October 31, 2012 [Japan GAAP] (Consolidated)

Date: December 12, 2012  
 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))  
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 Date of Financial Statement: January 30, 2013  
 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, 2012

### (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, 2012</b>	41,575	-1.9	2,447	1.1	2,605	0.4
<b>Year Ended October 31, 2011</b>	42,375	9.2	2,421	11.4	2,595	19.1

(Note) Comprehensive income

Fiscal year ended October 31, 2012: 1,572 million yen (-44.4%)

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

	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, 2012</b>	1,616	-44.6	161. <sup>98</sup>	-	7.4	7.8	5.9
<b>Year Ended October 31, 2011</b>	2,915	115.2	292. <sup>17</sup>	-	14.7	8.3	5.7

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

Fiscal year ended October 31, 2012: None

Fiscal year ended October 31, 2011: None

### (2) Financial Condition (Consolidated)

	Total Assets (A)	Net Assets (B)	Net Assets Ratio (B / A)	Net Assets per Share
	(Millions of Yen)	(Millions of Yen)	(Percent)	(Yen)
<b>Year Ended October 31, 2012</b>	33,822	22,534	66.0	2,235. <sup>59</sup>
<b>Year Ended October 31, 2011</b>	32,702	21,329	64.5	2,113. <sup>56</sup>

(Reference) Net assets

Fiscal year ended October 31, 2012: 22,308 million yen

Fiscal year ended October 31, 2011: 21,090 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, 2012</b>	1,005	(612)	(244)	7,463
<b>Year Ended October 31, 2011</b>	1,874	(239)	(373)	7,296

**2. Dividend Status**

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	End of Fiscal Year	Total
<b>Year Ending October 31, 2011</b>	-	0.00	-	40. <sup>00</sup>	40. <sup>00</sup>
<b>Year Ending October 31, 2012</b>	-	0.00	-	40. <sup>00</sup>	40. <sup>00</sup>
<b>Year Ending October 31, 2013 (Prospect)</b>	-	0.00	-	45. <sup>00</sup>	45. <sup>00</sup>

	Total Dividend (Millions of Yen)	Dividend Payout Ratio (Consolidated) (Percent)	Dividend on Equity Ratio (Consolidated) (Percent)
<b>Year Ending October 31, 2011</b>	399	13.7	2.0
<b>Year Ending October 31, 2012</b>	399	24.7	1.8
<b>Year Ending October 31, 2013 (Prospect)</b>	-	27.7	-

**3. Forecast for the Year Ending October 31, 2013 (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>Six-month Period</b>	22,040	4.2	1,420	0.0	1,420	-6.0
<b>Full Business Year</b>	44,300	6.6	2,770	13.2	2,800	7.5

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)
<b>Six-month Period</b>	800	-21.1	80. <sup>17</sup>
<b>Full Business Year</b>	1,620	-0.2	162. <sup>35</sup>

**Notes**

- (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: None
  - 2) Other changes: None
  - 3) Change in accounting estimate: None
  - 4) Retrospective restatement: None
- (3) Number of outstanding shares (Common stock)
  - 1) Number of outstanding shares at year-end (including treasury stocks)

At October 31, 2012: 10,533,200 shares    At October 31, 2011: 10,533,200 shares
  - 2) Number of treasury stocks at year-end

At October 31, 2012: 554,547 shares    At October 31, 2011: 554,501 shares

3) Number of average shares

At October 31, 2012: 9,978,668 shares At October 31, 2011: 9,978,725 shares

(Reference)

**1. Outline of Non-Consolidated Results of Operations for the Year Ended October 31, 2012**

**(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)
<b>Year Ended</b> <b>October 31, 2012</b>	38,754	-2.7	2,223	2.7	2,488	3.4
<b>Year Ended</b> <b>October 31, 2011</b>	39,822	10.6	2,166	19.4	2,407	26.3

	Net Income		Net Income per Share	Diluted Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)	(Yen)
<b>Year Ended</b> <b>October 31, 2012</b>	1,571	-44.5	157. <sup>44</sup>	-
<b>Year Ended</b> <b>October 31, 2011</b>	2,830	140.4	283. <sup>62</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)
<b>Year Ended</b> <b>October 31, 2012</b>	30,226	21,012	69.5	2,105. <sup>70</sup>
<b>Year Ended</b> <b>October 31, 2011</b>	29,368	19,868	67.7	1,991. <sup>67</sup>

(Reference) Net assets

Fiscal year ended October 31, 2012: 21,012 million yen

Fiscal year ended October 31, 2011: 19,868 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, the Japanese economy's shift toward recovery was sustained throughout the first half by factors such as the gradual broadening of restoration demand related to the Great East Japan Earthquake and a recovery in personal consumption. As the second half unfolded, however, the economy shifted course, and moved gradually away from fundamentally flat performance in the direction of weakness, under the impact of economic slowdowns in Europe and newly developing countries, an inability to boost exports because of the stubborn appreciation of the yen and unavoidable adjustments in production levels.

Under such circumstances, full-year consolidated net sales for the Tomoe Engineering Group were 41,575 million yen, 1.9% down from the previous consolidated fiscal year. This reflected lower sales of equipment and systems for China and a decrease in sales of works for domestic public sector demand in the Machinery & Equipment Business, and a drop in sales in the domestic advanced materials sector and plastics sector in the Chemical Products Business.

With regard to earnings, consolidated operating income for the Tomoe Engineering Group was 1.1% up from the previous consolidated fiscal year, to 2,447 million yen. Although profits were squeezed in the Chemical Products Business because of a decline in domestic sales and a loss reported for the resin plastic compounding business in Shenzhen, China, earnings were higher in the Machinery & Equipment Business despite the decrease in sales, thanks to contributions from the lower cost of centrifuge equipment for North America and reduced selling expenses. In addition, although the Group did not benefit from a gain on valuation of derivatives related to the Chemical Products Business as it did in the previous year, ordinary income was boosted by foreign exchange gains and edged higher to 2,605 million yen, 0.4% up from the prior consolidated fiscal year. Because of a reactionary drop reflecting the gain on conversion of property rights to the Company's former Tokyo factory (2,444 million yen) reported in extraordinary income in the previous consolidated fiscal year, however, net income for the current consolidated fiscal year was 1,616 million yen, 44.6% down compared with the previous consolidated fiscal year. Incidentally, because the effective tax rates for the corporation tax and other taxes were reduced by the enactment of tax reforms in December 2011, the adjustment for corporate and other taxes was lowered as the result of a revaluation of deferred tax assets and liabilities, and this was a factor that lifted consolidated net income for the consolidated fiscal year period by the same amount.

[Summary by business segment]

#### (Machinery & Equipment Business)

In the Machinery & Equipment Business, sales of centrifuge equipment for oil well drilling in North America and low-power, energy-saving centrifuge equipment for domestic public sector demand remained strong. Overseas sales of components expanded as well. Because sales of equipment and systems for China and sales of works for domestic public sector demand were both sharply lower, however, consolidated net sales ended at 12,330 million yen, 1.2% down compared with the previous fiscal year. The lower sales of equipment and systems for China mainly reflected sales of centrifuge equipment for vinyl chloride plants and abrasive grain slurry recycling equipment for use in manufacturing photovoltaic cells, while the weakness in sales of works for domestic public sector demand originated in a reactionary drop from a large-scale sewage treatment equipment restructuring project in the previous fiscal year. Against the backdrop of lower costs for centrifuge equipment for oil well drilling in North America and reduced personnel expenses and selling expenses, on the other hand, operating income was 1,289 million yen, 15.7% up from the previous fiscal year despite the reduced level of sales.

### (Chemical Products Business)

In the Chemical Products Business, sales in other countries including the high performance resins and molding machines sales business in Hong Kong rose slightly, but because sales in Japan were lower, particularly in the advanced materials sector and plastics sector, consolidated net sales were 29,244 million yen, 2.2% down from the previous fiscal year. In the advanced materials sector, sales of metal materials and desiccants for electrolytic solutions for semiconductor fabrication were lower, while in the plastics sector the main declines in sales affected commodity plastics materials and copolymerization resins. The domestic electronics materials sector, which languished during the first half of the fiscal year in particular, saw sales of consumables for use in semiconductor manufacturing and related equipment begin to grow, and together with the fine chemicals sector became a factor that mitigated the breadth of the sales decline in domestic operations. Despite the role that higher revenue and earnings in the electronics materials sector and improved gross margins in the fine chemicals sector played in providing some support, earnings overall were lower and selling expenses were higher, and the compounding business in Shenzhen, China, particularly for commodity plastics, found itself selling below cost, and from an earnings perspective, operating income totaled 1,158 million yen, 11.3% down from the previous fiscal year.

### **[2] Outlook for the next fiscal year (November 1, 2012- October 31, 2013)**

In looking at the consolidated fiscal year ending in October 2013, with Europe's economy continuing to slow and little hope for accelerating growth in newly developing country economies, and external demand entangled in deteriorating relations with China and projected to be lackluster, Japan's economy is expected to remain in straits that will make it difficult to see the start of new recovery.

Given such circumstances, in the Tomoe Engineering Group's Machinery & Equipment Business we plan to continue expanding sale of overseas equipment and systems, including centrifuge equipment for oil well drilling in North America and chemical plants in Southeast Asia, and we project fiscal year consolidated net sales of 13,500 million yen (9.5% up compared with the previous year) and operating income of 1,580 million yen (22.5% up compared with the previous year) as a result of efforts to lower our cost of goods manufactured, respectively. In the Chemical Products Business as well, we will work to expand domestic sales in the industrial materials and fine chemicals sectors, where we currently possess product lines that boast relatively strong market competitiveness, and plan to leverage our plastic compounding business in China by incorporating demand in new sectors. In this business we project fiscal year net sales of 30,800 million yen (5.3% up compared with the previous year) and operating income of 1,190 million yen (2.7% 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 2013 we project net sales to grow by 6.6% to 44,300 million yen and operating income to increase 13.2% to 2,770 million yen. In conjunction with this growth, we project ordinary income for the fiscal year to increase by 7.5% to 2,800 million yen, which also partially reflects the fact we have reported a one-time loss on foreign exchange gains in the current consolidated fiscal year. For the fiscal year we project net income of 1,620 million yen, 0.2% up compared with the previous year, a result tempered for the fact there will be a reactionary drop in the effect from the reduction of income tax adjustments prior to the effective tax rate reduction in income taxes paid.

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 of our goods and products, 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 33,822 million yen, up 1,119 million or 3.4% from the balance at the end of the previous consolidated fiscal year (October 31, 2011). This was the result of an increase in current assets against the backdrop of higher notes and accounts receivable-trade in the Machinery and Equipment Business, which were related to centrifuges for oil well drilling in North America, as well as an increase in fixed assets as a result of investments in production facilities and software investments.

Total liabilities, on the other hand, fell 0.8% compared with the end of the previous consolidated fiscal year to 11,287 million yen. Although current liabilities were slightly higher because of an increase in notes and accounts payable-trade that were mainly related to the Machinery & Equipment Business, noncurrent liabilities decreased in conjunction with the reduction in deferred tax liabilities prior to the effective tax rate reduction for income taxes paid.

The total balance for net assets increased 1,205 million yen or 5.6% compared with the end of the previous consolidated fiscal year to 22,534 million yen, despite dividend payments of 399 million yen, as net income ended at 1,616 million yen.

Because net assets increased and liabilities decreased as discussed above, the equity ratio at the end of the current consolidated fiscal year rose by 1.5 points compared with the end of the previous consolidated fiscal year to 66.0%.

### [2] Cash Flow Status

Balance of cash and cash equivalent as of the end of the current consolidated fiscal year increased by 166 million yen to 7,463 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)

Net cash provided by operating activities was 1,005 million yen. Income taxes paid totaled 1,096 million yen, notes and accounts receivable-trade increased by 806 million yen and advances received decreased by 388 million yen, respectively, income before income taxes and minority interests was 2,639 million yen and depreciation and amortization expense was 382 million yen.

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

Because proceeds from sales of investment securities were only 52 million yen, while purchases of plant, property and equipment and intangible fixed assets totaled 445 million yen and 185 million yen, respectively, the net amount of cash used in investing activities was 612 million yen.

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

Net cash used in financing activities was 244 million yen, despite a net increase in long-term and short-term loans payable of 130 million yen, as 399 million yen was used for cash dividends paid.

Trends in cash flow indices are as follows:

	Year Ended October 31, 2008	Year Ended October 31, 2009	Year Ended October 31, 2010	Year Ended October 31, 2011	Year Ended October 31, 2012
Equity Ratio (Percent)	58.8	66.8	62.4	64.5	66.0
Equity Ratio Based on Market Value (Percent)	30.9	51.8	38.6	42.5	39.7
Debt-repayment to Cash Flow Ratio (Years)	0.3	0.2	0.3	0.3	0.8

Interest Coverage Ratio (Percent)	86.9	88.8	151.7	258.7	115.8
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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 2012 and 2013**

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 Company's operating results, financial position and other considerations, for the fiscal year ended on October 31, 2012 we plan to pay a total dividend of 40 yen per share, identical to the prior fiscal year, by maintaining the increase in the ordinary dividend of 5 yen per share approved in the prior fiscal year as a commemorative dividend in recognition of the 70th anniversary of the Company's founding.

Dividends for the fiscal year ending on October 31, 2013 will be 45 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, 2012, 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 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.

**[6] Risks when a Natural Disaster Occurs**

Our group is implementing various risk measures, including seismic performance improvements to buildings and structures (including rental properties), preparation of emergency response procedures, data backup enhancements and the introduction of a system to confirm executive and employee safety, and working to prepare a business contingency plan (BCP). Although we are implementing such measures, however, there is a possibility our production capacity or sales capabilities might be substantially reduced by the occurrence of a large-scale natural disaster to which we cannot respond, and business opportunities could be lost and our operating results and financial position might be affected as a result.

## **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:***

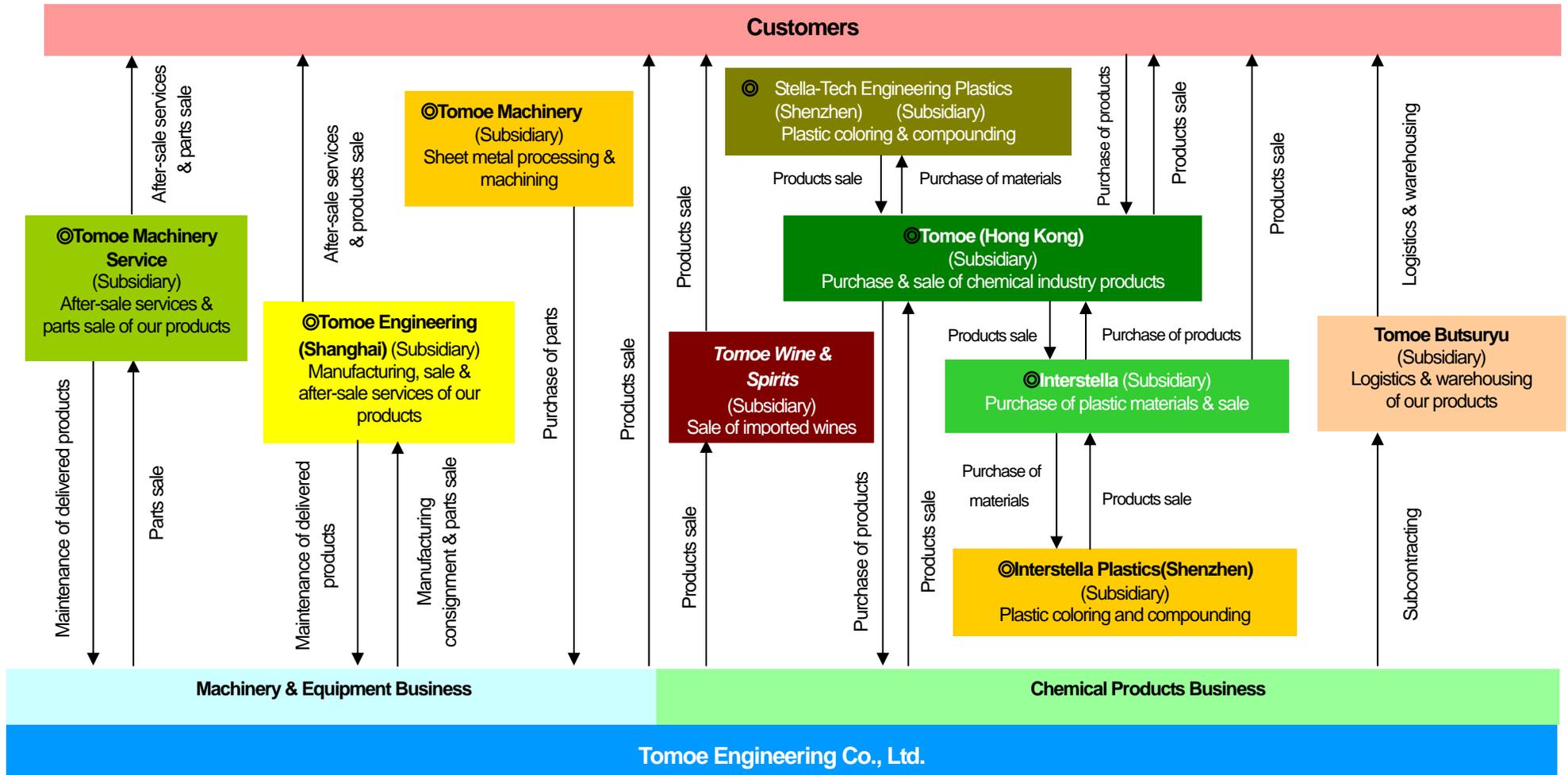
Interstella Plastics (Shenzhen) and Stella Tech Engineering Plastics (Shenzhen) are engaged in coloring and compounding of plastic materials. Our affiliate, Interstella is an investing company of Stella Tech Engineering Plastics (Shenzhen) and also serves as a contact for purchasing and sales. Tomoe (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. Following the close of the second year of the plan, we will pursue management with a focus on achieving operating results that exceed our consolidated ordinary income target in particular.

#### **(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 further 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 remained 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

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Deposits	7,296,554	7,463,174
Notes and Accounts Receivable-Trade	12,478,424	13,303,606
Merchandise and Finished Goods	3,506,696	3,392,880
Work in Process	1,029,443	866,726
Raw Materials and Supplies	630,324	943,399
Deferred Tax Assets	634,782	567,855
Others	236,706	243,152
Allowance for Doubtful Accounts	-21,322	-11,236
<b>Total Current Assets</b>	<b>25,791,609</b>	<b>26,769,560</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	2,328,168	2,350,890
Accumulated Depreciation	-1,344,589	-1,421,955
Buildings and Structures, Net	983,579	928,934
Machinery, Equipment and Vehicles	3,395,764	3,578,358
Accumulated Depreciation	-2,662,256	-2,801,629
Machinery, Equipment and Vehicles, Net	733,508	776,729
Land	922,024	922,024
Lease Assets	71,702	40,902
Accumulated Depreciation	-52,851	-34,864
Lease Assets, Net	18,850	6,038
Construction in progress	2,545,240	2,622,040
Others	990,168	1,025,652
Accumulated Depreciation	-924,338	-949,624
Others, Net	65,830	76,027
<b>Total Property, Plant and Equipment</b>	<b>5,269,032</b>	<b>5,331,794</b>
Intangible Assets	65,585	225,021
Investments and Other Assets		
Investment Securities	665,846	606,190
Guarantee Deposits	364,657	384,158
Deferred Tax Assets	33,143	29,578
Others	591,086	522,582
Allowance for Doubtful Accounts	-78,405	-46,779
<b>Total Investments and Other Assets</b>	<b>1,576,328</b>	<b>1,495,730</b>
<b>Total Noncurrent Assets</b>	<b>6,910,947</b>	<b>7,052,546</b>
<b>Total Assets</b>	<b>32,702,557</b>	<b>33,822,106</b>

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	6,485,604	6,956,704
Short-Term Loans Payable	534,045	630,376
Lease Obligations	14,556	7,216
Accounts Payable-Others	577,728	527,111
Income Taxes Payable	555,402	590,898
Advances Received	461,243	73,789
Provision for Bonuses	1,084,618	1,074,756
Provision for Directors' Bonuses	61,776	70,431
Allowance for Product Warranty	281,546	194,363
Others	270,113	234,504
<b>Total Current Liabilities</b>	<b>10,326,636</b>	<b>10,360,153</b>
<b>Noncurrent Liabilities</b>		
Long-Term Loans Payable	0	41,750
Lease Obligations	7,992	775
Provision for Retirement Benefits	36,745	38,942
Provision for Directors' Retirement Benefits	31,760	29,600
Deferred Tax Liabilities	969,595	815,962
<b>Total Noncurrent Liabilities</b>	<b>1,046,093</b>	<b>927,031</b>
<b>Total Liabilities</b>	<b>11,372,730</b>	<b>11,287,185</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	19,179,264	20,396,505
Treasury Stock	-363,319	-363,393
<b>Total Shareholders' Equity</b>	<b>21,360,564</b>	<b>22,577,731</b>
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	51,626	23,172
Deferred Gains or Losses on Hedges	230	525
Foreign Currency Translation Adjustment	-321,821	-293,239
<b>Total Valuation and Translation Adjustments</b>	<b>-269,965</b>	<b>-269,541</b>
<b>Minority Interests</b>	<b>239,227</b>	<b>226,731</b>
<b>Total Net Assets</b>	<b>21,329,827</b>	<b>22,534,921</b>
<b>Total Liabilities and Net Assets</b>	<b>32,702,557</b>	<b>33,822,106</b>

## (2) Statements of Consolidated Income

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Net Sales</b>	42,375,003	41,575,659
<b>Cost of Sales</b>	33,593,611	32,855,392
<b>Gross Profit</b>	8,781,392	8,720,267
<b>Selling, General and Administrative Expenses</b>	6,360,127	6,272,275
<b>Operating Income</b>	2,421,264	2,447,991
<b>Non-Operating Income</b>		
Interest income	11,131	14,960
Dividends Income	22,012	18,503
Rent Income	12,089	11,760
Foreign Exchange Gains	0	92,396
Gain on Valuation of Derivatives	137,398	0
Others	35,204	54,424
<b>Total Non-Operating Income</b>	217,836	192,044
<b>Non-Operating Expenses</b>		
Interest Expenses	7,244	9,776
Loss on Sales of Notes Payable	71	69
Commission Paid	9,975	9,508
Sales Discount	3,953	4,771
Foreign Exchange Loss	12,084	0
Others	10,384	10,369
<b>Total Non-Operating Expenses</b>	43,714	34,495
<b>Ordinary Income</b>	2,595,386	2,605,539
<b>Extraordinary Income</b>		
Gain on Sales of Noncurrent Assets	8,294	11,389
Gain on conversion of fixed asset rights	2,444,103	0
Gain on Sales of Investment Securities	14,190	28,541
Gain on Change in Equity Interest	0	6,780
Reversal of Allowance for Doubtful Accounts	17,503	0
<b>Total Extraordinary Income</b>	2,484,092	46,711

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Extraordinary Losses</b>		
Loss on Retirement of Noncurrent Assets	8,327	6,092
Loss on Valuation of Investment Securities	33,546	4,906
Loss on Valuation of Memberships	0	1,400
Provision of Allowance for Doubtful Accounts	1,650	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	28,715	0
<b>Total Extraordinary Losses</b>	<b>72,239</b>	<b>12,399</b>
Income before Income Taxes and Minority Interests	5,007,239	2,639,851
Income Taxes-Current	1,108,742	1,132,475
Income Taxes-Deferred	1,005,822	-64,273
<b>Total Income Taxes</b>	<b>2,114,565</b>	<b>1,068,202</b>
Income before Minority Interests	2,892,673	1,571,648
Minority Interests Income	-22,780	-44,739
<b>Net Income</b>	<b>2,915,454</b>	<b>1,616,388</b>

## Consolidated Statements of Comprehensive Income

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
Income before Minority Interests	2,892,673	1,571,648
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-1,958	-28,453
Deferred Gains or Losses on Hedges	7,641	295
Foreign Currency Translation Adjustment	-71,721	28,711
Total Other Comprehensive Income	-66,038	553
<b>Comprehensive Income</b>	<b>2,826,635</b>	<b>1,572,202</b>
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	2,856,506	1,616,812
Comprehensive Income attributable to Minority Interests	-29,871	-44,610

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

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
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	16,613,067	19,179,264
Changes during This Fiscal Year		
Cash Dividend Paid	-349,257	-399,147
Net Income	2,915,454	1,616,388
Total Amount Changed	2,566,197	1,217,240
Surplus during This Fiscal Year	19,179,264	20,396,505
Issued Shares Reacquired		
Surplus During Previous Fiscal Year	-363,194	-363,319
Changes During This Fiscal Year		
Issued Shares Reacquired	-125	-73
Total Amount Changed	-125	-73
Surplus during This Fiscal Year	-363,319	-363,393
Total Shareholders' Equity		
Surplus during Previous Fiscal Year	18,794,492	21,360,564
Changes during This Fiscal Year		
Cash Dividend Paid	-349,257	-399,147
Net Income	2,915,454	1,616,388
Issued Shares Reacquired	-125	-73
Total Amount Changed	2,566,071	1,217,166
Surplus during This Fiscal Year	21,360,564	22,577,731

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Revaluation and Translation Adjustments</b>		
Valuation Difference on Available-for-sale Securities		
Surplus during Previous Fiscal Year	53,585	51,626
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-1,958	-28,453
Changes during This Fiscal Year	-1,958	-28,453
Surplus during This Fiscal Year	51,626	23,172
Deferred Gains or Losses on Hedges		
Surplus during Previous Fiscal Year	-7,411	230
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	7,641	295
Changes during This Fiscal Year	7,641	295
Surplus during This Fiscal Year	230	525
Foreign Currency Translation Adjustment		
Surplus during Previous Fiscal Year	-257,190	-321,821
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-64,631	28,581
Changes during This Fiscal Year	-64,631	28,581
Surplus during This Fiscal Year	-321,821	-293,239
<b>Total Revaluation and Translation Adjustments</b>		
Surplus during Previous Fiscal Year	-211,016	-269,965
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-58,948	423
Changes during This Fiscal Year	-58,948	423
Surplus during This Fiscal Year	-269,965	-269,541
Minority Interests		
Surplus during Previous Fiscal Year	269,098	239,227
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-29,871	-12,496
Changes during This Fiscal Year	-29,871	-12,496
Surplus during This Fiscal Year	239,227	226,731

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
Total Net Assets		
Surplus during Previous Fiscal Year	18,852,575	21,329,827
Changes during This Fiscal Year		
Cash Dividend Paid	-349,257	-399,147
Net Income	2,915,454	1,616,388
Issued Shares Reacquired	-125	-73
Total (Net) Amount Changed (Except Shareholders' Equity)	-88,819	-12,072
Total Amount Changed	2,477,252	1,205,094
Surplus during This Fiscal Year	21,329,827	22,534,921

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

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes and Minority Interests	5,007,239	2,639,851
Depreciation and Amortization	379,736	382,304
Increase (Decrease) in Provision for Bonuses	(25,056)	(10,283)
Increase (Decrease) in Provision for Directors' Bonuses	(23,778)	8,654
Increase (Decrease) in Allowance for Product Warranty	95,104	(87,182)
Increase (Decrease) in Provision for Retirement Benefits	4,416	2,141
Increase (Decrease) in Provision for Directors' Retirement Benefits	(111,000)	(2,160)
Increase (Decrease) in Allowance for Doubtful Accounts	(9,655)	(41,712)
Interests and Dividends Income	(33,144)	(33,463)
Interest Expenses	7,244	9,776
Foreign Exchange Losses (Gains)	11,203	(2,313)
Loss (Gain) on Valuation of Investment Securities	33,546	4,906
Loss (Gain) on Valuation of Derivatives	(137,398)	0
Loss on Valuation of Memberships	0	1,400
Loss (Gain) on Sales of Investment Securities	(14,190)	(28,541)
Loss (Gain) on Change in Equity Interest	0	(6,780)
Loss (Gain) on Sales of Noncurrent Assets	(8,294)	(11,389)
Loss on Retirement of Noncurrent Assets	8,327	6,092
Gain on conversion of fixed asset rights	(2,444,103)	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	28,715	0
Decrease (Increase) in Notes and Accounts Receivable-Trade	781,796	(806,209)
Decrease (Increase) in Inventories	(337,740)	(22,010)
Increase (Decrease) in Notes and Accounts Payable-Trade	58,628	449,811
Increase (Decrease) in Accounts Payable-Others	9,773	(21,161)
Increase (Decrease) in Advances Received	46,535	(388,828)
Increase (Decrease) in Accrued Consumption Taxes	19,820	(65,364)
Others, Net	15,008	98,803
Sub total	3,362,734	2,076,340
Interests and Dividends Income Received	30,047	33,906
Interest Expenses Paid	(7,244)	(8,685)
Income Taxes Paid	(1,511,506)	(1,096,045)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,874,031</b>	<b>1,005,516</b>

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Net Cash Provided by (Used in) Investment Activities</b>		
Disbursement to Time Deposits	(2,520,110)	(6,700,000)
Proceeds from Withdrawal of Time Deposits	2,520,110	6,700,000
Purchase of Property, Plant and Equipment	(275,337)	(445,937)
Proceeds from Sales of Property, Plant and Equipment	23,231	14,787
Purchase of Intangible Fixed Assets	(6,842)	(185,421)
Purchase of Investment Securities	(17,869)	(16,966)
Proceeds from Sales of Investment Securities	23,425	52,832
Payments of Loans Receivable	(1,720)	(5,190)
Collection of Loans Receivable	4,800	2,719
Guarantee Deposits (Increase)	11,002	(27,524)
Others, Net	(553)	(1,563)
Net Cash Provided by (Used in) Investment Activities	(239,863)	(612,265)
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Net Increase (Decrease) in Short-Term Loans Payable	0	79,061
Proceeds from Long-Term Loans	0	51,518
Repayments of Lease Obligations	(24,137)	(14,556)
Purchase of Treasury Stock	(125)	(73)
Funds Provided by Payment from Minority Shareholders	0	38,893
Cash Dividends Paid	(349,257)	(399,147)
Net Cash Provided by (Used in) Financing Activities	(373,520)	(244,304)
<b>Cash and Cash Equivalents</b>		
Effect of Exchange Rate Change on Cash and Cash Equivalents	(73,192)	17,672
Net Increase (Decrease) in Cash and Cash Equivalents	1,187,454	166,619
Cash and Cash Equivalents at Beginning of Period	6,109,100	7,296,554
Cash and Cash Equivalents at End of This Fiscal Year	7,296,554	7,463,174

## **(5) Notes for Premise of Going Concern**

None

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

[Changes in reporting methods]

(Change related to the Consolidated Statements of Income)

The “sales discounts” included in the “Others” category of non-operating expenses in the previous consolidated fiscal year has been stated as a separate item from the current consolidated fiscal year because the amount of the item has increased in importance. To reflect this change in reporting method, the amount of 14,338,000 yen reported for “Others” in the Consolidated Statement of Income in the previous consolidated fiscal year has been reclassified as “Sales discounts” of 3,953,000 yen and “Others” of 10,384,000 yen.

[Additional Information]

(Application of the *Accounting Standard for Accounting Changes and Error Corrections*)

Beginning from accounting changes and corrections of past errors that were implemented from the beginning of the consolidated fiscal year under review, the Company will apply the *Accounting Standard for Accounting Changes and Error Corrections* (Accounting Standards Board of Japan Statement No. 24) and the *Guidance on the Accounting Standard for Accounting Changes and Error Corrections* (Accounting Standards Board of Japan Guidance No. 24).

## (7) Notes for Consolidated Financial Statements

### (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 (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 Increase in Property, Plant & Equipment and Intangible Assets	269,309	110,427	379,736	0	379,736
	193,337	94,380	287,717	2,513,938	2,801,656

#### (Notes)

1. The adjustment amount is as follows.

(1) The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each

reporting segment, and 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 adjustment amount for the increase in tangible fixed assets and intangible fixed assets is 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.

**Current Consolidated Fiscal Year (Year Ended October 31, 2012)**

(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	12,330,809	29,244,850	41,575,659	0	41,575,659
Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	12,330,809	29,244,850	41,575,659	0	41,575,659
Segment Income	1,289,600	1,158,390	2,447,991	0	2,447,991
Segment Assets	8,331,961	14,906,841	23,238,802	10,583,303	33,822,106
Other Items					
Depreciation & Amortization	251,760	130,543	382,304	0	382,304
Increase in Property, Plant & Equipment and Intangible Assets	449,684	151,012	600,697	0	600,697

(Notes)

1. The adjustment amount for segment assets is the assets of the entire company that cannot be allocated to each reporting segment, and 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.

(Related information)

**Previous Consolidated Fiscal Year (Year Ended October 31, 2011)**

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Regional Information

**1. Net Sales**

(Thousands of Yen)

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

(Note) Net sales are classified by country or region based on the customer's location.

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

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

## 3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

**Current Consolidated Fiscal Year (Year Ended October 31, 2012)**

## 1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

## 2. Regional Information

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

Japan	Asia	Others	Total
31,860,194	6,544,120	3,171,343	41,575,659

(Note) Net sales are classified by country or region based on the customer's location.

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

Japan	Asia	Total
4,987,397	344,397	5,331,794

## 3. Main Customer Information

The Company has omitted a description of sales to outside customers because there are no customers to which sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

(Information concerning impairment losses on fixed assets by reporting segment)

There are no pertinent matters to report.

(Information concerning amortization of goodwill and unamortized balances by reporting segment)

There are no pertinent matters to report.

(Information concerning gain on negative goodwill by reporting segment)

There are no pertinent matters to report.

(Per Share Information)

	Year Ended October 31, 2011	Year Ended October 31, 2012
Net Asset per Share	¥2,113. <sup>56</sup>	¥2,235. <sup>59</sup>
Net Income per Share	¥292. <sup>17</sup>	¥161. <sup>98</sup>

(Note 1) Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.

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

	Year Ended October 31, 2011	Year Ended October 31, 2012
Net Income for this Fiscal Year (thousands of yen)	2,915,454	1,616,388
Net Income for Common Stock (thousands of yen)	2,915,454	1,616,388
Average number of Common Stock during the Fiscal Year	9,978,725	9,978,668

(Note 3) Calculation basis for net asset per share are as follows:

	Year Ended October 31, 2011	Year Ended October 31, 2012
Total for Net Asset in Consolidated Balance Sheet (thousands of yen)	21,329,827	22,534,921
Amount deducted from the total for Net Assets (thousands of yen)	239,227	226,731
(Minority Interests) (thousands of yen)	(239,227)	(226,731)
Net Asset for Common Stock (thousands of yen)	21,090,599	22,308,190
Number of Common Stock used for calculation of Net Assets per Share (share)	9,978,699	9,978,653

(Significant subsequent events)

None

## 5. Non-Consolidated Financial Statements

### (1) Balance Sheets

(Thousands of Yen)

Assets	82 <sup>nd</sup> Period (October 31, 2011)	83 <sup>rd</sup> Period (October 31, 2012)
<b>Current Assets</b>		
Cash and Deposits	5,977,638	5,835,545
Notes Receivable-Trade	3,012,122	2,926,364
Accounts Receivable-Trade	8,517,995	9,549,871
Merchandise and Finished Goods	2,455,679	2,315,299
Work in Process	898,642	740,522
Raw Materials and Supplies	573,146	869,108
Advance Payment	34,260	5,730
Prepaid Expense	80,838	97,255
Accrued Revenue	20,873	65,078
Short-Term Loans Receivable	51,709	53,361
Deferred Tax Assets	592,910	521,654
Others	27,969	6,445
Allowance for Doubtful Accounts	-21,428	-11,306
<b>Total Current Assets</b>	<b>22,222,359</b>	<b>22,974,931</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings	1,872,337	1,893,593
Accumulated Depreciation	-1,008,035	-1,068,497
Buildings, Net	864,302	825,096
Structures	142,515	142,515
Accumulated Depreciation	-121,969	-125,983
Structures, Net	20,546	16,531
Machinery and Equipment	2,245,184	2,265,612
Accumulated Depreciation	-1,905,177	-1,935,577
Machinery and Equipment, Net	340,006	330,034
Vehicles	39,437	39,437
Accumulated Depreciation	-39,042	-39,437
Vehicles, Net	394	0
Tools, Instrument and Equipment	875,548	908,497
Accumulated Depreciation	-827,229	-848,042
Tools, Instrument and Equipment, Net	48,319	60,454
Land	877,653	877,653
Lease Assets	68,714	40,902
Accumulated Depreciation	-50,162	-34,864
Lease Assets, Net	18,551	6,038
Construction in Progress	2,543,938	2,618,535
<b>Total Property, Plant and Equipment</b>	<b>4,713,712</b>	<b>4,734,344</b>

(Thousands of Yen)

	82 <sup>nd</sup> Period (October 31, 2011)	83 <sup>rd</sup> Period (October 31, 2012)
Intangible Assets		
Software	53,925	123,625
Lease Asset	2,788	1,513
Software Suspense Account	0	91,042
Telephone Rights	8,165	8,165
<b>Total Intangible Assets</b>	64,880	224,346
Investments and Other Assets		
Investment Securities	614,346	572,190
Stocks of Affiliated Companies	483,765	466,265
Investments – Affiliated Companies	371,395	371,395
Long-Term Loans Receivable to Employees	2,862	4,897
Claims in Bankruptcy	32,023	1,395
Prepaid Pension Expense	520,777	483,147
Guarantee Deposits	347,100	368,971
Others	73,789	71,644
Allowance for Doubtful Accounts	-78,405	-46,779
<b>Total Investments and Other Assets</b>	2,367,655	2,293,127
<b>Total Noncurrent Assets</b>	7,146,247	7,251,818
<b>Total Assets</b>	29,368,607	30,226,750

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>82<sup>nd</sup> Period (October 31, 2011)</b>	<b>83<sup>rd</sup> Period (October 31, 2012)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes Payable-Trade	719,619	822,060
Accounts Payable-Trade	4,768,583	5,025,308
Lease Obligations	14,257	7,216
Accounts Payable-Others	512,207	482,777
Income Taxes Payable	491,053	522,219
Accrued Business Tax	8,471	7,001
Accrued Consumption Tax	29,002	0
Provision for Bonuses	990,165	971,425
Provision for Directors' Bonuses	56,303	63,609
Allowance for Product Warranty	281,546	194,363
Accrued Expenses	15	15
Advances Received	395,109	62,856
Deposit Payable	138,205	121,138
Guarantee Deposit	80,565	81,275
<b>Total Current Liabilities</b>	<b>8,485,106</b>	<b>8,361,267</b>
<b>Noncurrent Liabilities</b>		
Lease Obligations	7,992	775
Provision for Retirement Benefits	5,835	7,134
Provision for Directors' Retirement Benefits	31,760	29,600
Deferred Tax Liabilities	969,595	815,962
<b>Total Noncurrent Liabilities</b>	<b>1,015,184</b>	<b>853,472</b>
<b>Total Liabilities</b>	<b>9,500,290</b>	<b>9,214,740</b>

(Thousands of Yen)

	82 <sup>nd</sup> Period (October 31, 2011)	83 <sup>rd</sup> Period (October 31, 2012)
<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>	1,483,410	1,483,410
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	24,071	24,572
Other Reserve	13,900,000	16,330,000
Earned Surplus Carried Forward	3,231,089	1,972,512
<b>Total Retained Earnings</b>	17,635,160	18,807,085
<b>Treasury Stock</b>	-363,319	-363,393
<b>Total Shareholders' Equity</b>	19,816,460	20,988,311
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	51,626	23,172
Deferred Gains or Losses on Hedges	230	525
<b>Total Valuation and Translation Adjustments</b>	51,856	23,698
<b>Total Net Assets</b>	19,868,317	21,012,009
<b>Total Liabilities and Net Assets</b>	29,368,607	30,226,750

## (2) Statements of Income

(Thousands of Yen)

	82 <sup>nd</sup> Period (October 31, 2011)	83 <sup>rd</sup> Period (October 31, 2012)
<b>Net Sales</b>		
Sales of Finished Goods	11,842,600	11,735,989
Merchandise Sale	27,979,757	27,018,606
<b>Total Cost of Sales</b>	39,822,357	38,754,595
<b>Cost of Sales</b>		
Cost of Finished Goods Sold		
Beginning Inventory	253,755	61,193
Cost of Manufacture	8,215,695	8,346,009
<b>Total</b>	8,469,450	8,407,203
Ending Inventory	61,193	69,845
Cost of Sales	8,408,257	8,337,357
Cost of Merchandise Sold		
Beginning Inventory	1,884,881	2,394,485
Purchase Amount	23,898,582	22,287,814
<b>Total</b>	25,783,464	24,682,300
Ending Inventory	2,394,485	2,245,453
Cost of Sales	23,388,978	22,436,846
<b>Total Cost of Sales</b>	31,797,235	30,774,204
<b>Gross Profit</b>	8,025,121	7,980,391
<b>Selling, General and Administrative Expenses</b>	5,859,011	5,756,441
<b>Operating Income</b>	2,166,109	2,223,949
<b>Non-Operating Income</b>		
Interest income	3,780	5,099
Dividends Income	91,590	96,577
Rent Income	65,005	64,676
Foreign Exchange Gains	0	97,014
Gain on Valuation of Derivatives	137,398	0
Others	27,812	49,051
<b>Total Non-Operating Income</b>	325,586	312,418
<b>Non-Operating Expenses</b>		
Interest Expenses	1,172	875
Loss on Sales of Notes Payable	71	69
Rental Cost	23,898	22,357
Commission Paid	9,975	9,508
Foreign Exchange Loss	36,392	0
Others	12,887	15,545
<b>Total Non-Operating Expenses</b>	84,398	48,356
<b>Ordinary Income</b>	2,407,298	2,488,011

(Thousands of Yen)

	82 <sup>nd</sup> Period (October 31, 2011)	83 <sup>rd</sup> Period (October 31, 2012)
<b>Extraordinary Income</b>		
Gain on Sales of Property, Plant and Equipment	10,410	10,960
Gain on Conversion of Fixed Asset Rights	2,444,103	0
Gain on Sales of Investment Securities	14,190	6,141
Gain on Sale of Affiliated Company Stock	0	22,400
Reversal of Allowance for Doubtful Accounts	17,185	0
<b>Total Extraordinary Income</b>	2,485,889	39,501
<b>Extraordinary Losses</b>		
Loss on Retirement of Noncurrent Assets	6,421	0
Loss on Valuation of Investment Securities	33,546	4,906
Loss on Valuation of Memberships	0	1,400
Transfer to Allowance for Doubtful Accounts	1,650	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	28,715	0
<b>Total Extraordinary Losses</b>	70,333	6,306
Income before Income Taxes and Minority Interests	4,822,853	2,521,206
Income Taxes-Current	1,005,906	1,013,704
Income Taxes-Deferred	986,794	-63,571
<b>Total Income Taxes</b>	1,992,700	950,133
<b>Net Income</b>	2,830,153	1,571,072

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

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
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	25,426	24,071
Changes during This Fiscal Year		
Reversal of Reserve for Deferred Gains on Fixed Assets	-1,355	-1,298
Increase in Reserve for Advanced Depreciation of Fixed Assets due to change of effective tax rate	0	1,799
Total Amount Changed	-1,355	501
Surplus during This Fiscal Year	24,071	24,572
Other Reserve		
Surplus during Previous Fiscal Year	13,150,000	13,900,000
Changes during This Fiscal Year		
Accumulation of Other Reserve	750,000	2,430,000
Total Amount Changed	750,000	2,430,000
Surplus during This Fiscal Year	13,900,000	16,330,000

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Earned Surplus Carried Forward</b>		
Surplus during Previous Fiscal Year	1,498,838	3,231,089
<b>Changes during This Fiscal Year</b>		
Reversal of Reserve for Deferred Gains on Fixed Assets	1,355	1,298
Increase in Reserve for Advanced Depreciation of Fixed Assets due to change of effective tax rate	0	-1,799
Accumulation of Other Reserve	-750,000	-2,430,000
Cash Dividend Paid	-349,257	-399,147
Net Income	2,830,153	1,571,072
<b>Total Amount Changed</b>	<b>1,732,251</b>	<b>-1,258,576</b>
Surplus during This Fiscal Year	3,231,089	1,972,512
<b>Total Retained Earnings</b>		
Surplus during Previous Fiscal Year	15,154,264	17,635,160
<b>Changes during This Fiscal Year</b>		
Reversal of Reserve for Deferred Gains on Fixed Asset	0	0
Increase in Reserve for Advanced Depreciation of Fixed Assets due to change of effective tax rate	0	0
Accumulation of Other Reserve	0	0
Cash Dividend Paid	-349,257	-399,147
Net Income	2,830,153	1,571,072
<b>Total Amount Changed</b>	<b>2,480,896</b>	<b>1,171,924</b>
Surplus during This Fiscal Year	17,635,160	18,807,085
<b>Treasury Stock</b>		
Surplus during Previous Fiscal Year	-363,194	-363,319
<b>Changes during This Fiscal Year</b>		
Issued Shares Recquired	-125	-73
<b>Total Amount Changed</b>	<b>-125</b>	<b>-73</b>
Surplus during This Fiscal Year	-363,319	-363,393
<b>Total Shareholders' Equity</b>		
Surplus during Previous Fiscal Year	17,335,690	19,816,460
<b>Changes during This Fiscal Year</b>		
Cash Dividend Paid	-349,257	-399,147
Net Income	2,830,153	1,571,072
Issued Shares Recquired	-125	-73
<b>Total Amount Changed</b>	<b>2,480,770</b>	<b>1,171,851</b>
Surplus during This Fiscal Year	19,816,460	20,988,311

(Thousands of Yen)

	Year Ended October 31, 2011	Year Ended October 31, 2012
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-sale Securities		
Surplus During Previous Fiscal Year	53,585	51,626
Changes During This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-1,958	-28,453
Changes during This Fiscal Year	-1,958	-28,453
Surplus during This Fiscal Year	51,626	23,172
Deferred Gains or Losses on Hedges		
Surplus during Previous Fiscal Year	-4,731	230
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	4,962	295
Changes during This Fiscal Year	4,962	295
Surplus during This Fiscal Year	230	525
<b>Total Valuation and Translation Adjustments</b>		
Surplus during Previous Fiscal Year	48,853	51,856
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	3,003	-28,158
Changes during This Fiscal Year	3,003	-28,158
Surplus during This Fiscal Year	51,856	23,698
<b>Total Net Assets</b>		
Surplus during Previous Fiscal Year	17,384,543	19,868,317
Changes during This Fiscal Year		
Cash Dividend Paid	-349,257	-399,147
Net Income	2,830,153	1,571,072
Issued Shares Recquired	-125	-73
Total (Net) Amount Changed (Except Shareholders' Equity)	3,003	-28,158
Total Amount Changed	2,483,773	1,143,692
Surplus during This Fiscal Year	19,868,317	21,012,009

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

None.

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

(Per Share Information)

	<b>82<sup>nd</sup> Period</b> <b>(Year Ended October 31, 2011)</b>	<b>83<sup>rd</sup> Period</b> <b>(Year Ended October 31, 2012)</b>
Net Asset per Share	¥1,991. <sup>07</sup>	¥2,105. <sup>70</sup>
Net Income per Share	¥283. <sup>92</sup>	¥157. <sup>44</sup>

(Note 1) Income per share for this fiscal year after adjustment of the residual securities is not presented as there are no residual securities.

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

	<b>82<sup>nd</sup> Period</b> <b>(Year Ended October 31, 2011)</b>	<b>83<sup>rd</sup> Period</b> <b>(Year Ended October 31, 2012)</b>
Net Income for this Fiscal Year (thousands of yen)	2,830,153	1,571,072
Net Income for Common Stock (thousands of yen)	2,830,153	1,571,072
Average number of Common Stock during the Fiscal Year (shares)	9,978,725	9,978,668

(Note 3) Calculation basis for net asset per share are as follows:

	<b>82<sup>nd</sup> Period</b> <b>(Year Ended</b> <b>October 31, 2011)</b>	<b>83<sup>rd</sup> Period</b> <b>(Year Ended</b> <b>October 31, 2012)</b>
Total for Net Assets (thousands of yen)	19,868,317	21,012,009
Net Assets for Common Stock (thousands of yen)	19,868,317	21,012,009
Number of Common Stock as of the end of the Current Consolidated Fiscal Year used for calculation of Net Assets per Share (shares)	9,978,699	9,978,653

## 6. Other Notes

### (1) Appointment of Officers

1) Representative Director: No change

2) Other Directors (scheduled as at January 30, 2013)

1. New candidates for Director

Director (in charge of Accounting Div. and Management Planning Dept.):

Mitsuo Matsumoto (currently General Manager, Accounting Div.)

Director and Deputy General Manager, Machinery & Equipment Div. (in charge of production), serving concurrently as Manager, Sagami Factory:

Jun Ohashi (currently Manager, Sagami Factory, serving concurrently as Manager, Production Control Dept.)

Director and Deputy General Manager, Machinery & Equipment Div. (in charge of Industrial Machinery Sales Dept. and Overseas Sales Dept.), serving concurrently as Manager, Overseas Sales Dept.

Kimihiko Murakami (currently Manager, Industrial Machinery Sales Dept.)

2. Directors scheduled to retire

Managing Director: Hitoshi Shiraishi (planned appointment to Advisor)

Director: Natsuhiko Maeda (planned appointment to Advisor)

Director: Hiroshi Konagai (planned appointment to President and CEO, Tomoe Machinery Co., Ltd.)

3. Corporate Auditors scheduled to retire

Head Auditor: Koichi Karita (planned appointment to Advisor)

4. Planned promotions to Director

Senior Managing Director and General Manager, Chemical Products Div.:

Hitoshi Yamamoto (currently Managing Director and General Manager, Machinery & Equipment Div.)

Managing Director and General Manager, Machinery & Equipment Div.:

Yoshito Honma (currently Director and President and CEO, Tomoe Machinery Service Co., Ltd.)

5. Planned promotions to Corporate Auditor

Senior Head Auditor: Kenichi Ito (currently Head Auditor)

Head Auditor: Toshiharu Murase (currently Auditor)