

Financial Results for the Second Quarter Ended April 30, 2013 [Japan GAAP] (Consolidated)

Date: June 4, 2013
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
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 Date to report Consolidated Quarterly Financial Statement: June 12, 2013
 Date for Dividend Payment: Not applicable to financial quarters.
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Yes
 Briefing Session for Quarterly Operating Results: Yes (for institutional investors)

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

1. Consolidated Financial Data for the Second Quarter Ended April 30, 2013

(1) Results of Operation (Consolidated) (Percent: Change from the same quarter of the previous year)

	Net Sales		Operating Income		Ordinary Income	
	Millions of Yen	Percent	Millions of Yen	Percent	Millions of Yen	Percent
Quarter Ended April 30, 2013	19,370	-8.4	998	-29.7	1,075	-28.8
Quarter Ended April 30, 2012	21,156	-4.2	1,420	-15.7	1,510	-15.9

	Net Income		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended April 30, 2013	631	-37.7	63. ³⁰	-
Quarter Ended April 30, 2012	1,014	-4.3	101. ⁶⁶	-

(Note) Comprehensive income

Second Quarter ended April 30, 2013: 1,107 million yen (-3.2%) Second Quarter ended April 30, 2012: 1,144 million yen (0.3%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended April 30, 2013	32,792	23,242	70.1
Year Ended October 31, 2012	33,822	22,534	66.0

(Reference) Net assets

Second Quarter ended April 30 2013: 22,996 million yen Year Ended October 31, 2012: 22,308 million yen

2. Dividend Status

(Record Date)	Annual Dividend (Yen)				
	First Quarter	Interim Term	Third Quarter	End of Fiscal Year	Annual
Year Ended October 31, 2012	-	0.00	-	40. ⁰⁰	40. ⁰⁰
Year Ending October 31, 2013	-	0.00	-	40. ⁰⁰	40. ⁰⁰
Year Ending October 31, 2013 (Prospect)	-	-	-	45. ⁰⁰	45. ⁰⁰

(Note) Revisions since the most recently released dividend projection: None

3. Forecast for Earnings for the Year Ending October 31, 2013 (Consolidated)

(Percent: Change from the previous year for the full business year)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Full Business Year	38,800	-6.7	1,650	-32.6	1,700	-34.8

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,010	-37.5	101. ²²

(Note) Revisions since the most recently released dividend projection: None

* Others

(1) Significant changes in subsidiaries during this quarter (Changes in specific subsidiaries in conjunction with a change in the scope of consolidation): None

Number of new subsidiaries: ___ (Company names):

Number of eliminated subsidiaries: ___ (Company names):

(2) Adoption of simplified accounting method and the specific accounting method: None

(3) Changes of the principles, procedures, and representation of the accounting policies

1) Change due to revision of accounting standard: Existing

2) Other changes than the above 1): Existing

3) Change in accounting estimates: Existing

4) Retrospective restatements: None

For details, please refer to (3) [Changes in accounting principles, changes in accounting estimates and retrospective restatements] of 2. [Matters Concerning Summary Information (Other)] on page 4.

(4) Number of outstanding shares (Ordinary shares)

1) Number of outstanding shares as of quarter-end and year-end (including treasury stocks)

At April 30, 2013: 10,533,200 shares At October 31, 2012: 10,533,200 shares

2) Number of treasury stocks as of quarter-end and year-end

At April 30, 2013: 554,592 shares At October 31, 2012: 554,547 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2013: 9,978,617 shares At April 30, 2012: 9,978,684 shares

*Disclosure concerning status of implementation of quarterly review procedure

This quarterly earnings report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the Company has not completed a quarterly review procedure 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. Please refer to the Financial Results for the Quarter (Attachments) on page 3, (3) [Qualitative Information on Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast and matters to note when using forward-looking statements.

Table of Contents (Attachments)

1. Qualitative Information on Quarterly Consolidated Operating Results.....	2
(1) Qualitative Information on Consolidated Operating Results.....	2
(2) Qualitative Information on Consolidated Financial Position.....	3
(3) Qualitative Information on Consolidated Earnings Forecast.....	3
2. Matters Concerning Summary Information (Other).....	4
(1) Changes to material subsidiaries during the quarterly consolidated period under review.....	4
(2) Application of special accounting method in the preparation of quarterly consolidated financial statements.....	4
(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements...	4
3. Consolidated Financial Statement.....	5
(1) Consolidated Quarterly Balance Sheet.	5
(2) Consolidated Quarterly Statements of Income & Consolidated Quarterly Statements of Comprehensive Income.....	7
(3) Consolidated Quarterly Statements of Cash Flows.	9
(4) Note on Going Concern Assumption.....	11
(5) Segment Information, etc.	11
(6) Notes for Significant Changes in Shareholder's Equity.....	11
4. Overseas Net Sales (Supplemental Information).....	12

1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Qualitative Information on Consolidated Operating Results

[General operating results]

During the interim period under review there were visible signs of a recovery in Japan's economy, including further depreciation of the yen and rising stock prices, which were driven by a sense of anticipation toward the new economic and monetary policies introduced by the new administration. The result was a situation in which efforts aimed at improving corporate profits and consumers' purchasing behavior are likely to continue, despite lingering concerns such as Europe's prolonged fiscal administration problems and the economic slowdown in China and other newly developing countries.

Given such circumstances, in the Machinery & Equipment Business sales of components and repairs for domestic public sector demand rose steadily, but sales of machines for overseas markets and sales of components and repairs declined. In addition, in the Chemical Products Business net sales were lower in the domestic advanced materials sector and domestic industrial materials sector, while in Hong Kong, sales of resin products declined and sales of molding machines experienced a decrease that was a reaction from the level in the same period one year earlier. From a bottom line perspective, in addition to an earnings drop that was caused mainly by the decline in sales in both businesses, a second significant factor that reduced net income was a reaction from the level in the same period one year ago, when earnings were boosted by a reduction in the adjustment for corporate and other taxes in conjunction with the reduction of the effective tax rate.

As a result of the above, net sales for the Tomoe Engineering Group for the consolidated second quarter slipped 8.4% from the same period last year to 19,370 million yen. Operating income was 998 million yen, 29.7% down from the same period of the prior year, ordinary income was 1,075 million yen, 28.8% down from the same period of the prior year, and net income was 631 million yen, 37.7% down from the same period one year earlier.

[Operating results by segment]

(Machinery & Equipment Business)

In the Machinery & Equipment Business, sales of components and repairs for domestic public sector demand remained strong, but in North America, where there was a change in the order environment that included an increase in the number of competitors, sales of centrifuge equipment for oil well drilling were lower. Orders of abrasive grain slurry recycling equipment for China were slack, while sales of components and repairs for India and other countries overseas contracted as well. As a result of these factors, consolidated net sales for the interim period were 5,486 million yen, 13.4% down from the same period last year. From an earnings perspective, operating income for this business was 629 million yen, 16.5% down from the same period of the previous fiscal year against the backdrop of the lower net sales for the business as a whole.

(Chemical Products Business)

In the Chemical Products Business, sales of UV curing resin in the fine chemicals sector and sales of equipment for use in semiconductor manufacturing in the electronics materials sector expanded steadily, but in the advanced materials sector, sales of ceramics for use in semiconductor manufacturing struggled in the face of softer demand, while in the industrial materials sector, sales of products such as iron and steel additives were slack, and in Hong Kong, sales of resin products declined and sales of molding machines experienced a reactionary decrease from the same period one year earlier. As a result of these factors, consolidated net sales for the interim period were 13,883 million yen, 6.3% down from the same period last year.

In terms of earnings, operating income was 368 million yen, 44.7% down from the same period one year ago. Earnings were affected by the weak sales in Hong Kong and the decreased sales of high-margin products, and by the decline in gross profit for the business as a whole.

(2) Qualitative Information on Consolidated Financial Position:

[Assets, Liabilities, and Net Assets]

Total assets at the end of the interim consolidated period under review were 32,792 million yen, 1,029 million yen or 3.0% down from the balance at the end of the previous consolidated fiscal year on October 31, 2012. Among current assets, notes and accounts receivable-trade and inventories were lower, while cash and deposits increased. Fixed assets also expanded with the increase in investment securities that resulted from rising stock prices, but these were not large enough to compensate for the substantially lower amount of notes and accounts receivable-trade.

On the other hand, total liabilities stood at 9,549 million yen, 1,737 million yen or 15.4% down compared with the end of the previous consolidated fiscal year. Current liabilities fell significantly because of large decreases in payment obligations, the provision for bonuses and income taxes payable, while noncurrent liabilities were higher because of an increase in deferred tax liabilities.

Net assets after dividend payments of 399 million yen totaled 23,242 million yen, up 707 million yen or 3.1% from the end of the previous consolidated fiscal year. Net assets were boosted by interim period net income of 631 million yen and an increase in the translation adjustments account because of depreciation of the yen.

The equity ratio at the end of the interim consolidated period under review increased by 4.1 points compared with the end of the previous consolidated fiscal year to 70.1%.

[Cash Flow Status]

Cash and cash equivalents as of the interim consolidated period under review was decreased by 2,673 million yen to 4,789 million yen from the end of the previous consolidated fiscal year. The status of each consolidated cash flow and their factors during the second quarter are as follows:

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

Net cash provided by operating activities was 552 million yen. Notes and accounts receivable-trade fell by 1,717 million yen and inventories fell by 512 million yen, while notes and accounts payable-trade decreased by 1,749 million yen, income taxes paid were 581 million yen and the provision for bonuses decreased by 443 million yen.

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

Net cash used in investing activities was 3,163 million yen. This mainly reflected disbursements to time deposits of 3,100 million yen.

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

Cash flow used in financing activities was 353 million yen, mainly for the payment of cash dividends of 399 million yen.

(3) Qualitative Information on Consolidated Earnings Forecast:

We have revised the consolidated earnings forecast figures announced on March 4, 2013. For details please see the "Notice Concerning Revision of Earnings Forecast" released on May 29, 2013.

2. Matters Concerning Summary Information (Other)

(1) Changes to material subsidiaries during the quarterly consolidated period under review: None

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements: None.

(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements:

(Change in Accounting Policy)

Traditionally, the company and its consolidated subsidiaries measured the value of raw materials mainly using the valuation at cost method, costs being based on the first-in-first-out method (for amounts reported on the balance sheet, write-downs of book values based on the decline in profitability). Beginning from the first quarter consolidated accounting period under review, the Company has changed to the moving average method (for amounts reported on the balance sheet, write-downs of book values based on the decline in profitability). The Company adopted this change in conjunction with the restructuring of its systems for the purpose of smoothing the effects of changes in raw materials prices in the market, and reporting more appropriate evaluations of raw materials and periodic accounting of profit and loss.

The effect of this change is not material, and the Company will not apply the change retrospectively.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In conjunction with the amendment of the Corporation Tax Law, beginning from the first quarter consolidated accounting period under review, for tangible fixed assets acquired on or after November 1, 2012 the Company and its domestic consolidated subsidiaries will change to a depreciation method based on the amended Corporation Tax Law.

The effect of this change on Second quarter consolidated income is not material.

3. Consolidated Financial Statement

(1) Consolidated Quarterly Balance Sheets (Second Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2012)	End of Second Quarter (April 30, 2013)
Current Assets		
Cash and Deposits	7,463,174	7,889,440
Notes and Accounts Receivable-Trade	13,303,606	12,039,435
Merchandise and Finished Goods	3,392,880	3,339,773
Work in Process	866,726	604,864
Raw Materials and Supplies	943,399	1,048,826
Deferred Tax Assets	567,855	385,847
Others	243,152	172,518
Allowance for Doubtful Accounts	-11,236	-5,656
Total Current Assets	26,769,560	25,475,050
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	2,350,890	2,389,312
Accumulated Depreciation	-1,421,955	-1,453,943
Buildings and Structures, Net	928,934	935,369
Machinery, Equipment and Vehicles	3,578,358	3,870,300
Accumulated Depreciation	-2,801,629	-3,015,651
Machinery, Equipment and Vehicles, Net	776,729	854,649
Land	922,024	922,024
Lease Assets	40,902	26,989
Accumulated Depreciation	-34,864	-25,087
Lease Assets, Net	6,038	1,901
Construction in progress	2,622,040	2,543,172
Others	1,025,652	1,034,004
Accumulated Depreciation	-949,624	-962,696
Others, Net	76,027	71,308
Total Property, Plant and Equipment	5,331,794	5,328,425
Intangible Assets	225,021	233,592
Investments and Other Assets		
Investment Securities	606,190	872,977
Guarantee Deposits	384,158	254,122
Deferred Tax Assets	29,578	26,254
Others	522,582	647,294
Allowance for Doubtful Accounts	-46,779	-45,415
Total Investments and Other Assets	1,495,730	1,755,232
Total Noncurrent Assets	7,052,546	7,317,250
Total Assets	33,822,106	32,792,300

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October 31, 2012)	End of Second Quarter (April 30, 2013)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	6,956,704	5,742,249
Short-Term Loans Payable	630,376	821,321
Lease Obligations	7,216	3,088
Accounts Payable-Others	527,111	427,635
Income Taxes Payable	590,898	262,780
Advances Received	73,789	54,679
Provision for Bonuses	1,074,756	637,265
Provision for Directors' Bonuses	70,431	23,843
Allowance for Product Warranty	194,363	226,501
Others	234,504	307,578
Total Current Liabilities	10,360,153	8,506,945
Noncurrent Liabilities		
Long-Term Loans Payable	41,750	46,485
Lease Obligations	775	-
Provision for Retirement Benefits	38,942	48,231
Provision for Directors' Retirement Benefits	29,600	18,680
Deferred Tax Liabilities	815,962	929,121
Total Noncurrent Liabilities	927,031	1,042,519
Total Liabilities	11,287,185	9,549,464
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	20,396,505	20,628,983
Treasury Stock	-363,393	-363,462
Total Shareholders' Equity	22,577,731	22,810,141
Valuation and Translation Adjustments		
Valuation Difference on Available-for-Sale Securities	23,172	168,193
Deferred Gains or Losses on Hedges	525	183
Foreign Currency Translation Adjustment	-293,239	18,267
Total Valuation and Translation Adjustments	-269,541	186,644
Minority Interests	226,731	246,050
Total Net Assets	22,534,921	23,242,835
Total Liabilities and Net Assets	33,822,106	32,792,300

(2) Consolidated Quarterly Statements of Income & Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2012	Second Quarter Ended April 30, 2013
Net Sales	21,156,546	19,370,202
Cost of Sales	16,625,647	15,307,013
Gross Profit	4,530,898	4,063,189
Selling, General and Administrative Expenses	3,110,407	3,065,178
Operating Income	1,420,490	998,010
Non-Operating Income		
Interest Income	7,477	8,912
Dividends Income	6,723	6,751
Rent Income	5,964	4,752
Foreign Exchange Gains	53,699	52,118
Others	35,781	27,764
Total Non-Operating Income	109,646	100,300
Non-Operating Expenses		
Interest Expenses	4,742	6,482
Loss on Sales of Notes Payable	35	33
Commission Paid	7,995	7,987
Sales Discount	2,405	4,384
Others	4,669	3,589
Total Non-Operating Expenses	19,849	22,478
Ordinary Income	1,510,288	1,075,832
Extraordinary Income		
Gain on Sales of Noncurrent Assets	10,960	-
Gain on Sales of Investment Securities	6,141	1,098
Gain on Change in Equity Interest	6,780	-
Total Extraordinary Income	23,881	1,098
Extraordinary Losses		
Loss on Retirement of Noncurrent Assets	5,075	4,412
Total Extraordinary Losses	5,075	4,412
Income before Income Taxes and Minority Interests	1,529,095	1,072,517
Income Taxes-Current	465,418	252,528
Income Taxes-Deferred	69,665	232,287
Total Income Taxes	535,084	484,816
Income before Minority Interests	994,010	587,701
Minority Interests in Income or Loss (-)	-20,388	-43,922
Net Income (Loss)	1,014,399	631,624

Consolidated Quarterly Statements of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2012	Second Quarter Ended April 30, 2013
Income before Minority Interests	994,010	587,701
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	11,752	145,020
Deferred Gains or Losses on Hedges	-1,717	-341
Foreign Currency Translation Adjustment	140,131	374,749
Total Other Comprehensive Income	150,165	519,428
Comprehensive Income	1,144,176	1,107,129
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	1,142,721	1,087,810
Comprehensive Income attributable to Minority Interests	1,455	19,319

(3) Consolidated Quarterly Statements of Cash Flows

(Thousands of Yen)

	Second Quarter Ended April 30, 2012	Second Quarter Ended April 30, 2013
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes and Minority Interests	1,529,095	1,072,517
Depreciation and Amortization	171,101	191,319
Increase (Decrease) in Provision for Bonuses	(296,095)	(443,160)
Increase (Decrease) in Provision for Directors' Bonuses	(25,032)	(46,587)
Increase (Decrease) in Allowance for Product Warranty	(185,039)	32,137
Increase (Decrease) in Provision for Retirement Benefits	4,033	8,506
Increase (Decrease) in Provision for Directors' Retirement Benefits	(2,160)	(10,920)
Increase (Decrease) in Allowance for Doubtful Accounts	(40,216)	(6,943)
Interest and Dividends Income	(14,201)	(15,664)
Interest Expenses	4,742	6,482
Foreign Exchange Losses (Gains)	(4,455)	(60,570)
Loss (Gain) on Sales of Investment Securities	(6,141)	(1,098)
Loss (Gain) on Change in Equity Interest	(6,780)	-
Losses (Gains) on Sales of Noncurrent Assets	(10,960)	-
Loss (Gain) on Retirement of Noncurrent Assets	5,075	4,412
Decrease (Increase) in Notes and Accounts Receivable-Trade	(874,757)	1,717,146
Decrease (Increase) in Inventories	399,622	512,826
Increase (Decrease) in Notes and Accounts Payable-Trade	112,337	(1,749,930)
Increase (Decrease) in Accounts Payable-Others	(10,850)	(101,310)
Increase (Decrease) in Advances Received	353,724	(22,633)
Increase (Decrease) in Accrued Consumption Taxes	(3,380)	124,001
Others, Net	157,532	(84,306)
Sub total	1,257,190	1,126,224
Interests and Dividends Income Received	13,674	14,615
Interest Expenses Paid	(4,750)	(7,128)
Income Taxes Paid (-) or Returned	(546,647)	(581,409)
Net Cash Provided by (Used in) Operating Activities	719,466	552,301
Net Cash Provided by (Used in) Investing Activities		
Deposit of Time Deposits	(3,200,000)	(3,800,000)
Proceeds from Withdrawal of Time Deposits	100,000	700,000
Purchase of Property, Plant and Equipment	(181,029)	(105,938)
Proceeds from Sales of Property, Plant and Equipment	3,055	50
Purchase of Intangible Assets	(54,561)	(26,439)
Purchase of Investment Securities	(8,912)	(61,798)
Proceeds from Sales of Investment Securities	12,932	7,483
Payments of Loans Receivable	(3,500)	(2,610)
Collection of Loans Receivable	1,218	1,847
Guarantee Deposits (Increase)	3,654	127,907
Others, Net	(1,009)	(3,771)
Net Cash Provided by (Used in) Investment Activities	(3,328,152)	(3,163,270)

(Thousands of Yen)

	Second Quarter Ended April 30, 2012	Second Quarter Ended April 30, 2013
Net Cash Provided by (Used in) Financing Activities		
Funds Provided by Payment from Minority Shareholders	38,893	-
Net Increase (Decrease) in Short-Term Loans Payable	77,420	55,314
Repayments of Lease Obligations	(8,610)	(4,904)
Repayments of Long-Term Loans	-	(4,210)
Purchase of Treasury Stock	(73)	(68)
Cash Dividends Paid	(399,147)	(399,146)
Net Cash Provided by (Used in) Financing Activities	(291,518)	(353,015)
Effect of Exchange Rate Change on Cash and Cash Equivalents	65,528	290,250
Net Increase (Decrease) in Cash and Cash Equivalents	(2,834,676)	(2,673,734)
Cash and Cash Equivalents at Beginning of Period	7,296,554	7,463,174
Cash and Cash Equivalents at End of Period	4,461,878	4,789,440

(4) Note on Going Concern Assumption

None.

(5) Segment Information, etc.

【Segment Information】

Second Quarter Ended April 30, 2012

Information Pertaining to the Amount of Net sales or Net Loss of Each Reporting Segment

(Thousands of Yen)

	Reported Segment			Grand Total
	Machinery & Equipment Business	Chemical Products Business	Total	
Net Sales				
Net Sales to Unaffiliated Customers	6,337,116	14,819,429	21,156,546	21,156,546
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	6,337,116	14,819,429	21,156,546	21,156,546
Segment Profit	753,650	666,840	1,420,490	1,420,490

(Note) The total amount of segment profit is identical to the operating income reported on the Quarter Statements of Consolidated Income.

Second Quarter Ended April 30, 2013

Information Pertaining to the Amount of Net sales or Net Loss of Each Reporting Segment

(Thousands of Yen)

	Reported Segment			Grand Total
	Machinery & Equipment Business	Chemical Products Business	Total	
Net Sales				
Net Sales to Unaffiliated Customers	5,486,848	13,883,353	19,370,202	19,370,202
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,486,848	13,883,353	19,370,202	19,370,202
Segment Profit	629,242	368,768	998,010	998,010

(Note) The total amount of segment profit is identical to the operating income reported on the Quarter Statements of Consolidated Income.

(6) Notes for Significant Changes in Shareholder's Equity

None

4. Overseas Net Sales (Supplemental Information)

Second Quarter Ended April 30, 2012

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	3,243,574	1,457,690	4,701,264
II. Consolidated Net Sales	-	-	21,156,546
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	15.3	6.9	22.2

(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:
 - (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.

Second Quarter Ended April 30, 2013

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	2,419,013	482,720	2,901,734
II. Consolidated Net Sales	-	-	19,370,202
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	12.5	2.5	15.0

(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:
 - (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.