

Financial Results for the Third Quarter Ended July 31, 2013 [Japan GAAP] (Consolidated)

Date: September 5, 2013
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
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 Date to report Consolidated Quarterly Financial Statement: September 12, 2013
 Date for Dividend Payment: Not applicable to financial quarters.
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: No
 Briefing Session for Quarterly Operating Results: No

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

1. Consolidated Financial Data for the Third Quarter Ended July 31, 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 July 31, 2013	27,918	-9.0	900	-44.3	1,015	-41.6
Quarter Ended July 31, 2012	30,670	-5.2	1,616	-24.6	1,737	-23.4

	Net Income		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended July 31, 2013	585	-47.4	58. ⁷²	-
Quarter Ended July 31, 2012	1,113	-16.1	111. ⁵⁸	-

(Note) Comprehensive income

Third Quarter ended July 31, 2013: 1,169 million yen (4.0%) Third Quarter ended July 31, 2012: 1,124 million yen (-17.1%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended July 31, 2013	32,882	23,305	70.1
Year Ended October 31, 2012	33,822	22,534	66.0

(Reference) Net assets

Third Quarter ended July 31, 2013: 23,052 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	-		
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 July 31, 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 July 31, 2013: 554,592 shares

At October 31, 2012: 554,547 shares

3) Number of average shares (accumulated quarterly total)

At July 31, 2013: 9,978,614 shares

At July 31, 2012: 9,978,673 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.

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1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Qualitative Information on Consolidated Operating Results

[General operating results]

Japan's economy showed signs of improvement in corporate operating results and personal consumption during the third quarter consolidated year-to-date period, and spurred by various factors including the government's economic and monetary policy, the business climate continued to recover gradually. Overseas, conditions remained opaque, even as the business environment in the U.S. maintained its upward trend, as the economy in Europe continued to drift and economic growth in newly developing countries including China lost momentum.

Given these circumstances, in the Machinery & Equipment Business net sales of equipment and works for the domestic public sector, as well as sales of components and repairs, remained steady, but overseas equipment sales declined. Results in the Chemical Products Business were similar. Net sales in the domestic fine chemicals sector remain robust, but in addition to softer sales in the plastics, advanced materials and electronics materials sectors, net sales of commodity plastics in Hong Kong contracted as well. From an earnings perspective, the principal cause for lower profits was the decline in sales in both businesses, yet factors such as the reaction caused by the smaller adjustment for corporate and other taxes in conjunction with the reduction of the effective tax rate in the same period of the prior year also are assumed to have played a role in pushing earnings lower.

As a result of the above, net sales for the Tomoe Engineering Group for the consolidated third quarter slipped 9.0% from the same period last year to 27,918 million yen. Operating income was 900 million yen, 44.3% down from the same period of the prior year, ordinary income was 1,015 million yen, 41.6% down from the same period of the prior year, and net income was 585 million yen, 47.4% down from the same period one year earlier.

[Operating results by segment]

(Machinery & Equipment Business)

In the Machinery & Equipment Business, sales of equipment and works for the domestic public sector, as well as sales of components and repairs, remained steady, but in North America, where there was a change in the order environment that included the entry 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 other countries overseas contracted as well. As a result of these factors, consolidated net sales for the third period were 6,742 million yen, 20.0% down from the same period last year. From an earnings perspective, operating income for this business was 274 million yen, 59.7% 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 remained steady. On the other hand, sales in the plastics sector of commodity plastics mainly for imported wood, sales in the advanced materials sector of various ceramic and metallic materials for use in semiconductor manufacturing, sales in the electronics materials sector of tools for use in semiconductor manufacturing and sales in the industrial materials sector of products such as additives for iron and steel all were slack, while in Hong Kong sales of commodity plastics decreased and sales of molding machines were off as a reaction from the same period one year earlier. All of these pushed sales lower. As a result of these factors, consolidated net sales for the third quarter year-to-date period were 21,175 million yen, 4.8% down from the same period last year.

From an earnings aspect, the decline in sales of commercial products with comparatively high margins in the advanced materials sector and industrial materials sector, together with factors such as higher procurement costs for imported materials because of the exchange rate and slack sales for the resin plastic compounding business in Shenzhen, China, put pressure on gross profits for the business as a whole, and operating income was 626 million yen, 33.1% down from the same period one year ago.

(2) Qualitative Information on Consolidated Financial Position:

[Assets, Liabilities, and Net Assets]

Total assets as of the end of the consolidated third quarter under review were 32,882 million yen, down 2.8% or 939 million yen from the end of the previous consolidated fiscal year, reflecting lower cash and deposits and notes and accounts receivable-trade. Liabilities were 9,576 million yen, down 15.2% or 1,710 million yen from the end of the previous consolidated fiscal year, mainly because of lower payables. Net assets were 23,305 million yen, 770 million yen or 3.4% up from the end of the previous consolidated fiscal year. This mainly reflected an increase in the translation adjustments account, which was affected by the depreciation of the yen. As a result of the above changes, the equity ratio at the end of the consolidated third quarter under review rose 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 consolidated third quarter under review were decreased by 4,515 million yen to 2,947 million yen from the end of the previous consolidated fiscal year. The status of each consolidated cash flow and their factors during the consolidated third quarter under review are as follows:

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

Net cash used by operating activities was 472 million yen. Income before income taxes and minority interests was 1,029 million yen, and notes and accounts receivable-trade fell by 1,956 million yen, while notes and accounts payable-trade decreased by 1,969 million yen, and income taxes paid were 1,107 million yen.

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

Net cash used in investing activities was 4,042 million yen. This mainly reflected disbursements to time deposits of 3,700 million yen.

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

Cash flow used in financing activities was 356 million yen, mainly for the payment of cash dividends of 399 million yen.

(3) Qualitative Information on Consolidated Earnings Forecast:

There are no revisions to the full-year consolidated earnings forecast that was announced in the "Notice Concerning Revision of Projected Operating Results" 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 third quarter consolidated income is not material.

3. Consolidated Financial Statement

(1) Consolidated Quarterly Balance Sheets (Third Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2012)	End of Third Quarter (July 31, 2013)
Current Assets		
Cash and Deposits	7,463,174	6,647,808
Notes and Accounts Receivable-Trade	13,303,606	12,011,742
Merchandise and Finished Goods	3,392,880	3,450,276
Work in Process	866,726	810,108
Raw Materials and Supplies	943,399	1,195,495
Deferred Tax Assets	567,855	280,416
Others	243,152	566,570
Allowance for Doubtful Accounts	-11,236	-6,703
Total Current Assets	26,769,560	24,955,715
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	2,350,890	2,457,454
Accumulated Depreciation	-1,421,955	-1,480,765
Buildings and Structures, Net	928,934	976,689
Machinery, Equipment and Vehicles	3,578,358	4,055,927
Accumulated Depreciation	-2,801,629	-3,119,402
Machinery, Equipment and Vehicles, Net	776,729	936,525
Land	922,024	922,024
Lease Assets	40,902	13,220
Accumulated Depreciation	-34,864	-12,230
Lease Assets, Net	6,038	990
Construction in progress	2,622,040	2,553,303
Others	1,025,652	1,041,759
Accumulated Depreciation	-949,624	-960,811
Others, Net	76,027	80,948
Total Property, Plant and Equipment	5,331,794	5,470,481
Intangible Assets	225,021	446,024
Investments and Other Assets		
Investment Securities	606,190	1,068,702
Guarantee Deposits	384,158	253,938
Deferred Tax Assets	29,578	24,896
Others	522,582	708,931
Allowance for Doubtful Accounts	-46,779	-46,244
Total Investments and Other Assets	1,495,730	2,010,225
Total Noncurrent Assets	7,052,546	7,926,731
Total Assets	33,822,106	32,882,446

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2012)	End of Third Quarter (July 31, 2013)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	6,956,704	5,776,530
Short-Term Loans Payable	630,376	859,727
Lease Obligations	7,216	1,807
Accounts Payable-Others	527,111	784,184
Income Taxes Payable	590,898	9,323
Advances Received	73,789	76,915
Provision for Bonuses	1,074,756	476,794
Provision for Directors' Bonuses	70,431	30,573
Allowance for Product Warranty	194,363	233,157
Others	234,504	263,195
Total Current Liabilities	10,360,153	8,512,210
Noncurrent Liabilities		
Long-Term Loans Payable	41,750	46,379
Lease Obligations	775	—
Provision for Retirement Benefits	38,942	43,098
Provision for Directors' Retirement Benefits	29,600	18,680
Deferred Tax Liabilities	815,962	956,482
Total Noncurrent Liabilities	927,031	1,064,640
Total Liabilities	11,287,185	9,576,851
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	20,583,331
Treasury Stock	-363,393	-363,462
Total Shareholders' Equity	22,577,731	22,764,489
Valuation and Translation Adjustments		
Valuation Difference on Available-for-Sale Securities	23,172	175,581
Deferred Gains or Losses on Hedges	525	-192
Foreign Currency Translation Adjustment	-293,239	112,894
Total Valuation and Translation Adjustments	-269,541	288,283
Minority Interests	226,731	252,823
Total Net Assets	22,534,921	23,305,595
Total Liabilities and Net Assets	33,822,106	32,882,446

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

Consolidated Quarterly Statements of Income (Third Quarter)

(Thousands of Yen)

	Third Quarter Ended July 31, 2012	Third Quarter Ended July 31, 2013
Net Sales	30,670,538	27,918,515
Cost of Sales	24,381,797	22,461,999
Gross Profit	6,288,740	5,456,515
Selling, General and Administrative Expenses	4,672,112	4,556,017
Operating Income	1,616,628	900,498
Non-Operating Income		
Interest Income	11,196	14,037
Dividends Income	15,153	15,310
Rent Income	8,893	7,174
Foreign Exchange Gains	66,208	72,896
Others	45,598	35,080
Total Non-Operating Income	147,050	144,498
Non-Operating Expenses		
Interest Expenses	7,161	10,197
Loss on Sales of Notes Payable	52	50
Commission Paid	8,752	8,743
Sales Discount	3,644	5,388
Others	6,895	5,496
Total Non-Operating Expenses	26,506	29,877
Ordinary Income	1,737,172	1,015,119
Extraordinary Income		
Gain on Sales of Noncurrent Assets	10,960	—
Gain on Sales of Investment Securities	6,141	19,218
Gain on Change in Equity Interest	6,780	—
Total Extraordinary Income	23,881	19,218
Extraordinary Losses		
Loss on Retirement of Noncurrent Assets	5,054	5,232
Loss on Valuation of Investment Securities	680	—
Total Extraordinary Losses	5,735	5,232
Income before Income Taxes and Minority Interests	1,755,318	1,029,105
Income Taxes-Current	563,713	140,808
Income Taxes-Deferred	111,912	361,026
Total Income Taxes	675,626	501,834
Income before Minority Interests	1,079,692	527,270
Minority Interests in Income or Loss (-)	-33,742	-58,701
Net Income (Loss)	1,113,435	585,972

Consolidated Quarterly Statements of Comprehensive Income (Third Quarter)

(Thousands of Yen)

	Third Quarter Ended July 31, 2012	Third Quarter Ended July 31, 2013
Income before Minority Interests	1,079,692	527,270
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-27,440	152,408
Deferred Gains or Losses on Hedges	-1,773	-718
Foreign Currency Translation Adjustment	73,942	490,927
Total Other Comprehensive Income	44,728	642,618
Comprehensive Income	1,124,421	1,169,889
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	1,148,640	1,143,796
Comprehensive Income attributable to Minority Interests	-24,219	26,092

(3) Consolidated Quarterly Statements of Cash Flows

(Thousands of Yen)

	Third Quarter Ended July 31, 2012	Third Quarter Ended July 31, 2013
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes and Minority Interests	1,755,318	1,029,105
Depreciation and Amortization	277,997	265,447
Increase (Decrease) in Provision for Bonuses	-402,638	-605,293
Increase (Decrease) in Provision for Directors' Bonuses	-7,350	-39,857
Increase (Decrease) in Allowance for Product Warranty	-62,287	38,794
Increase (Decrease) in Provision for Retirement Benefits	-35	3,143
Increase (Decrease) in Provision for Directors' Retirement Benefits	-2,160	-10,920
Increase (Decrease) in Allowance for Doubtful Accounts	-41,222	-5,068
Loss (Gain) on Valuation of Investment Securities	680	—
Interest and Dividends Income	-26,349	-29,348
Interest Expenses	7,161	10,197
Foreign Exchange Losses (Gains)	-399	-61,065
Loss (Gain) on Sales of Investment Securities	-6,141	-19,218
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	5,054	5,232
Decrease (Increase) in Notes and Accounts Receivable-Trade	43,626	1,956,601
Decrease (Increase) in Inventories	-334,505	196,733
Increase (Decrease) in Notes and Accounts Payable-Trade	426,213	-1,969,647
Increase (Decrease) in Accounts Payable-Others	-65,311	-71,352
Increase (Decrease) in Advances Received	43,551	-1,474
Increase (Decrease) in Accrued Consumption Taxes	-37,378	90,305
Others, Net	125,303	-165,329
Sub total	1,681,387	616,987
Interests and Dividends Income Received	26,973	29,069
Interest Expenses Paid	-6,713	-10,843
Income Taxes Paid (-) or Returned	-1,088,065	-1,107,728
Net Cash Provided by (Used in) Operating Activities	613,582	-472,515

(Thousands of Yen)

	Third Quarter Ended July 31, 2012	Third Quarter Ended July 31, 2013
Net Cash Provided by (Used in) Investing Activities		
Deposit of Time Deposits	-6,700,000	-7,400,000
Proceeds from Withdrawal of Time Deposits	3,100,000	3,700,000
Purchase of Property, Plant and Equipment	-274,255	-209,759
Proceeds from Sales of Property, Plant and Equipment	14,055	2,710
Purchase of Intangible Assets	-88,108	-39,143
Purchase of Investment Securities	-14,002	-244,495
Proceeds from Sales of Investment Securities	12,932	25,603
Payments of Loans Receivable	-4,040	-3,240
Collection of Loans Receivable	2,336	2,583
Guarantee Deposits (Increase)	3,628	126,948
Others, Net	-468	-3,703
Net Cash Provided by (Used in) Investment Activities	-3,947,921	-4,042,495
Net Cash Provided by (Used in) Financing Activities		
Net Increase (Decrease) in Short-Term Loans Payable	156,481	55,314
Funds Provided by Long-Term Loans	51,518	—
Repayments of Long-Term Loans	—	-6,635
Repayments of Lease Obligations	-11,981	-6,185
Purchase of Treasury Stock	-73	-68
Funds Provided by Payment from Minority Shareholders	38,893	—
Cash Dividends Paid	-399,147	-399,146
Net Cash Provided by (Used in) Financing Activities	-164,308	-356,721
Effect of Exchange Rate Change on Cash and Cash Equivalents	30,497	356,367
Net Increase (Decrease) in Cash and Cash Equivalents	-3,468,150	-4,515,365
Cash and Cash Equivalents at Beginning of Period	7,296,554	7,463,174
Cash and Cash Equivalents at End of Period	3,828,404	2,947,808

(4) Note on Going Concern Assumption

None.

(5) Segment Information, etc.

【Segment Information】

Third Quarter Ended July 31, 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	8,431,445	22,239,092	30,670,538	30,670,538
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	8,431,445	22,239,092	30,670,538	30,670,538
Segment Profit	680,548	936,080	1,616,628	1,616,628

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

Third Quarter Ended July 31, 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	6,742,588	21,175,926	27,918,515	27,918,515
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	6,742,588	21,175,926	27,918,515	27,918,515
Segment Profit	274,131	626,367	900,498	900,498

(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)

Third Quarter Ended July 31, 2012

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	4,523,508	1,994,988	6,518,497
II. Consolidated Net Sales	-	-	30,670,538
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	14.7	6.5	21.3

(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.

Third Quarter Ended July 31, 2013

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	3,717,025	604,131	4,321,157
II. Consolidated Net Sales	-	-	27,918,515
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	13.3	2.2	15.5

(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.