

# Financial Results for the Fiscal Year Ended October 31, 2013 [Japan GAAP] (Consolidated)

Date: December 12, 2013  
 Company: Tomoe Engineering Co., Ltd. and Subsidiaries  
 (URL: [http://www.tomo-e.co.jp/index\\_e.html](http://www.tomo-e.co.jp/index_e.html))  
 Stock exchange listing: 1<sup>st</sup> Section, Tokyo Stock Exchange  
 Head Office: 2-2, Osaki 1-chome, Shinagawa-ku, Tokyo, Japan  
 President: Noboru Shiono  
 Investor Relations Contacts: Mitsuo Matsumoto, Director, General Manager of Accounting Division, Tel: (03) 5435-6512  
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 Date of Financial Statement: January 30, 2014  
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 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, 2013

### (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, 2013</b>	38,176	-8.2	1,516	-38.1	1,680	-35.5
<b>Year Ended October 31, 2012</b>	41,575	-1.9	2,447	1.1	2,605	0.4

(Note) Comprehensive income

Fiscal year ended October 31, 2013: 1,439 million yen (-8.4%)

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

	Net Income		Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Return on Equity (Percent)	Return on Assets (Percent)	Return on Sales (Percent)
	(Millions of Yen)	(Percent)					
<b>Year Ended October 31, 2013</b>	841	-48.0	84. <sup>29</sup>	-	3.7	5.0	4.0
<b>Year Ended October 31, 2012</b>	1,616	-44.6	161. <sup>38</sup>	-	7.4	7.8	5.9

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

Fiscal year ended October 31, 2013: None

Fiscal year ended October 31, 2012: None

### (2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B / A) (Percent)	Net Assets per Share (Yen)
<b>Year Ended October 31, 2013</b>	33,477	23,575	69.8	2,340. <sup>34</sup>
<b>Year Ended October 31, 2012</b>	33,822	22,534	66.0	2,235. <sup>59</sup>

(Reference) Net assets

Fiscal year ended October 31, 2013: 23,353 million yen

Fiscal year ended October 31, 2012: 22,308 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, 2013</b>	498	(755)	(381)	7,171
<b>Year Ended October 31, 2012</b>	1,005	(612)	(244)	7,463

**2. Dividend Status**

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	End of Fiscal Year	Total
<b>Year Ending October 31, 2012</b>	-	0.00	-	40. <sup>00</sup>	40. <sup>00</sup>
<b>Year Ending October 31, 2013</b>	-	0.00	-	45. <sup>00</sup>	45. <sup>00</sup>
<b>Year Ending October 31, 2014 (Prospect)</b>	-	22.50	-	22. <sup>50</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, 2012</b>	399	24.7	1.8
<b>Year Ending October 31, 2013</b>	449	53.4	2.0
<b>Year Ending October 31, 2014 (Prospect)</b>	-	37.4	-

**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>	20,700	6.9	1,050	5.2	1,160	7.8
<b>Full Business Year</b>	41,300	8.2	1,930	27.3	2,050	22.0

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)
<b>Six-month Period</b>	690	9.2	69. <sup>15</sup>
<b>Full Business Year</b>	1,200	42.7	120. <sup>26</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: Existing
  - 2) Other changes than the above 1): Existing
  - 3) Change in accounting estimates: Existing
  - 4) Retrospective restatements: None
- For details, please refer to (Changes in accounting policies), (changes in accounting policies that are difficult to distinguish from changes in accounting estimates) of (5) [Notes for Consolidated Financial Statements] of 4. [Consolidated Financial Statements] on page 23.

(3) Number of outstanding shares (Common stock)

1) Number of outstanding shares at year-end (including treasury stocks)

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

2) Number of treasury stocks at year-end

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

3) Number of average shares

At October 31, 2013: 9,978,612 shares At October 31, 2012: 9,978,668 shares

(Reference)

1. Outline of Non-Consolidated Results of Operations for the Year Ended October 31, 2013

(1) Results of Operation (Non-consolidated) (Percent: Change from the previous year)

	Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Year Ended October 31, 2013	35,254	-9.0	1,578	-29.0	1,854	-25.4
Year Ended October 31, 2012	38,754	-2.7	2,223	2.7	2,488	3.4

	Net Income		Net Income per Share	Diluted Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)	(Yen)
Year Ended October 31, 2013	885	-43.6	88. <sup>78</sup>	-
Year Ended October 31, 2012	1,571	-44.5	157. <sup>44</sup>	-

(2) Financial Condition (Non-consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)	Net Assets per Share (Yen)
Year Ended October 31, 2013	29,891	21,686	72.6	2,173. <sup>33</sup>
Year Ended October 31, 2012	30,226	21,012	69.5	2,105. <sup>70</sup>

(Reference) Net assets

Fiscal year ended October 31, 2013: 21,686 million yen

Fiscal year ended October 31, 2012: 21,012 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 Operating Results] of 1. [Operating Results and Financial Condition], on page 5.

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# 1. Operating Results and Financial Condition

## (1) Analysis of Operating Results

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

#### General operating results

During the consolidated fiscal year, Japan's economy showed signs of improvement in corporate operating results and personal consumption, and spurred by various factors including the government's economic and monetary policy, and the business climate turned toward a gradual recovery. Overseas, the business remained in a severe condition as a whole, even as the business environment in the U.S. maintained its upward trend, as the economy in Europe remained to drift and economic growth in newly developing countries including China lost momentum.

Given these circumstances, in the Machinery & Equipment Business domestic net sales of components and repairs remained steady, but overseas sales of equipment as well as sales for the domestic public sector declined. In the Chemical Products Business, net sales in the domestic fine chemicals sector remained 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 booking of impairment loss on the fixed assets at the consolidated subsidiaries, and the reaction caused by the smaller adjustment for corporate and other taxes in conjunction with the reduction of the effective tax rate in prior year also were assumed to have played a role in pushing earnings lower.

As a result of the above, full-year consolidated net sales for the Tomoe Engineering Group were 38,176 million yen, 8.2% down from the previous consolidated fiscal year. Operating income was 1,516 million yen, 38.1% down from the prior consolidated fiscal year, ordinary income was 1,680 million yen, 35.5% down from the prior consolidated fiscal year, and net income was 841 million yen, 48.0% down from the prior consolidated fiscal year.

[Summary by business segment]

#### (Machinery & Equipment Business)

In the Machinery & Equipment Business, domestic net sales of components and repairs remained steady, but sales of equipment for the domestic public sector turned flat, overseas sales of centrifuge equipment for oil well drilling in North America and abrasive grain slurry recycling equipment in China as well as components and repairs were lower. As a result of these factors, consolidated net sales ended at 9,316 million yen, 24.4% down compared with the previous fiscal year. From an earnings perspective, operating income was 527 million yen, 59.1% down from 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 in the industrial materials sector of products such as material for housing and construction 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 all were slack. As a result of these factors, full-year consolidated net sales were 28,859 million yen, 1.3% down from the previous fiscal year.

From an earnings aspect, the decline in sales of commercial products with comparatively high margins in the advanced materials sector, together with factors such as higher procurement costs for imported materials because of the yen's appreciation and slack sales for the resin plastic compounding business in Shenzhen, China, put pressure on profits for the business as a whole, and operating income was 988million yen, 14.6% down from the previous fiscal year.

## **[2] Outlook for the next fiscal year (November 1, 2013- October 31, 2014)**

During the fiscal year ending in October 2014, Japan's economy is expected to continue the momentum carrying it toward a sustainable recovery domestically, including an improvement in corporate operating performance, as the result of various economic measures. Despite a temporary reactionary slump in demand that is likely to be triggered by a consumption tax increase during the period, the move toward an expanding economy is also being supported by external demand and increased spending on public works projects, and is not expected to change. On the other hand, there are overseas risk factors as well, including the uncertainties surrounding U.S. fiscal and monetary policy and the economic slowdown in newly developing countries, and the management environment surrounding the Tomoe Engineering Group is projected to remain severe. Given such circumstances, in the Machinery & Equipment Business we expect to expand our market not only for oil wells but in sectors such as petrochemicals, particularly through our local subsidiaries in the North and South America regions, while domestically we plan to increase revenues by expanding sales of our low-power, energy-saving centrifuge models, and we project fiscal year consolidated net sales of 12,100 million yen (29.9% up compared with the previous year) and operating income of 1,040 million yen (97.1% up compared with the previous year). In the Chemical Products Business, domestically we will maintain our share of sales in our existing business by working to further enhance our portfolio of commercial products to address market needs. We also project overseas sales to expand as a result of the development of new markets and commercial products centered on Southeast Asia, and we plan to rebuild our resin plastic compounding business in Shenzhen, China with the goal of revitalizing its operating performance. As a result, we project fiscal year consolidated net sales of 29,200 million yen (1.2% up compared with the previous year), and operating income of 890 million yen (10.0% down compared with the previous year) that will reflect a rate of increase in expenses that outpaces the growth rate of net sales. As a result of these efforts, for the entire Tomoe Engineering Group in the consolidated fiscal year ending October 2014, we project net sales to grow by 8.2% to 41,300 million yen, operating income to increase by 27.3% to 1,930 million yen, and ordinary income to increase by 22.0% to 2,050 million yen. Because we do not anticipate any special factors, including extraordinary income or losses, we project net income to climb by 42.7% to 1,200 million yen.

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

## **(2) Analysis of Financial Condition**

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

Assets at the end of the current consolidated fiscal year were 33,477 million yen, down 344 million or 1.0% from the balance at the end of the previous consolidated fiscal year, reflecting lower cash and deposits and notes and accounts receivable-trade. Liabilities were 9,902 million yen, down 1,384 million yen or 12.3% from the end of the previous consolidated fiscal year, mainly because of lower payables and income taxes payable. Net assets were 23,575 million yen, 1,040 million yen or 4.6% up from the end of the previous consolidated fiscal year. This mainly reflected an increase of retained earnings reported at net income, and 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 fiscal year rose by 3.8 points compared with the end of the previous consolidated fiscal year to 69.8%.

### **[2] Cash Flow Status**

Balance of cash and cash equivalent as of the end of the current consolidated fiscal year decreased by 291 million yen to 7,171 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 498 million yen (1,005 million yen provided during the previous consolidated fiscal year). Income before income taxes and minority interests was 1,502 million yen, and notes and accounts receivable-trade fell by 828 million yen, inventory fell by 362 million yen, while notes and accounts payable-trade decreased by 1,099 million yen, and income taxes paid were 1,105 million yen.

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

Because purchases of plant, property and equipment were 408 million yen, and purchases of intangible fixed assets were 251 million yen, the net amount of cash used in investing activities was 755 million yen (612 million yen used during the previous consolidated fiscal year).

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

Net cash used in financing activities was 381 million yen (244 million yen used during the previous consolidated fiscal year), mainly for the payment of cash dividends of 399 million yen.

Trends in cash flow indices are as follows:

	Year Ended October 31, 2009	Year Ended October 31, 2010	Year Ended October 31, 2011	Year Ended October 31, 2012	Year Ended October 31, 2013
Equity Ratio (Percent)	66.8	62.4	64.5	66.0	69.8
Equity Ratio Based on Market Value (Percent)	51.8	38.6	42.5	39.7	46.6
Debt-repayment to Cash Flow Ratio (Years)	0.2	0.3	0.3	0.8	1.7
Interest Coverage Ratio (Percent)	88.8	151.7	258.7	115.8	35.6

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 2013 and 2014**

As its basic policy concerning the distribution of earnings beginning from the current period, the Tomoe Engineering Group will “implement appropriate, stable dividends by seeking to increase internal reserves to reinforce our financial position and corporate strength, and by considering consolidated operating results, the group’s medium-term business strategy and other factors in a comprehensive manner.”

Based on the above policy, and considering operating results for the current period and the future outlook, for the consolidated fiscal year ended October 2013 we plan to pay a dividend of 45 yen per share, an increase of 5 yen compared with the prior consolidated fiscal year.

The dividend for the consolidated fiscal year ending on October 31, 2014 will be 45 yen per share (including an interim dividend per share of 22.5 yen), based on consideration of the outlook for consolidated operating results and the fact the Company will newly implement payment of an interim dividend.

### **(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 eleven 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). Its subsidiary Tomoe Engineering USA, Inc. provides centrifuges and parts with after-sales services.

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

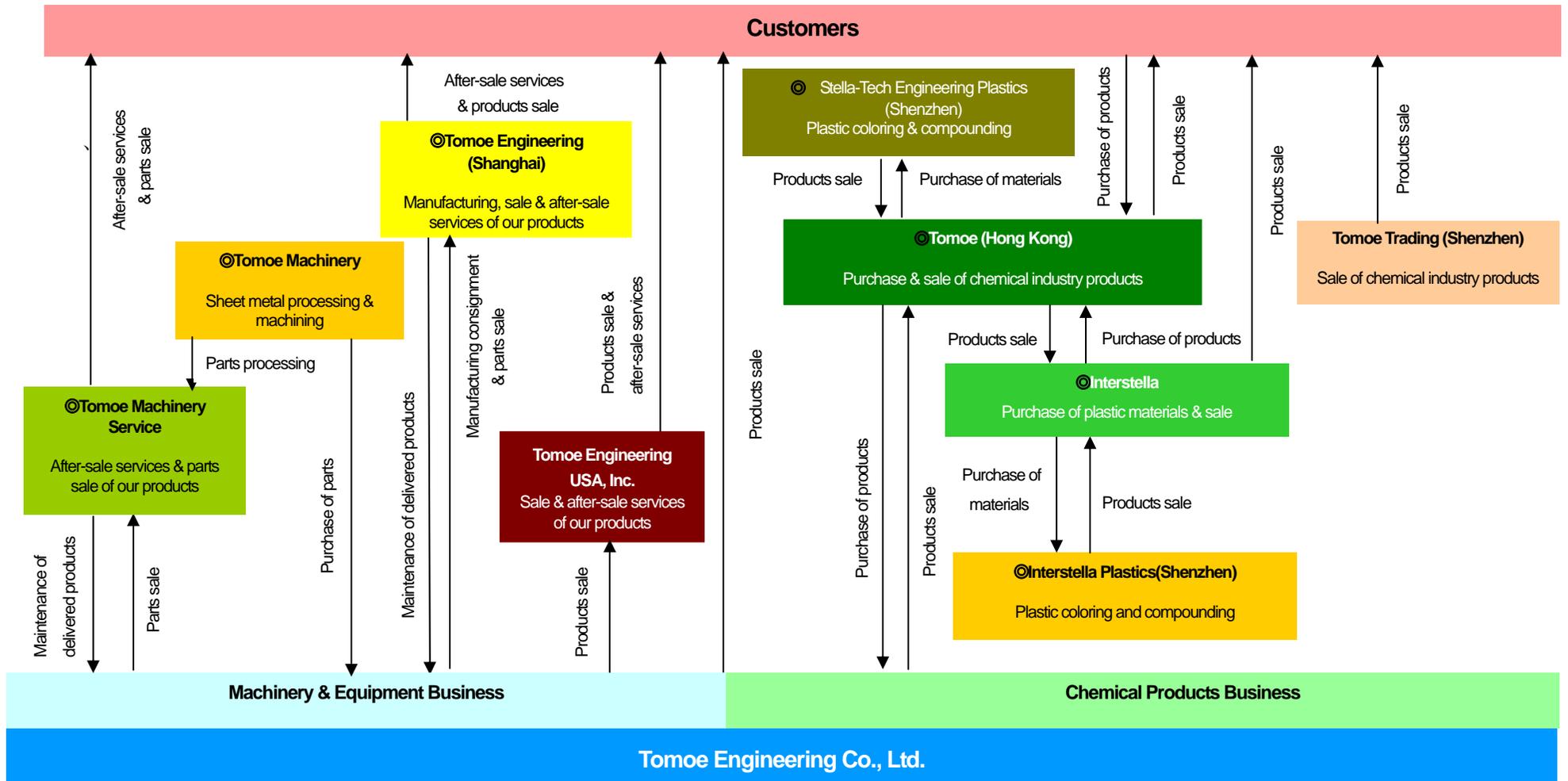
Interstella Plastics (Shenzhen) and Stella Tech Engineering Plastics (Shenzhen) are engaged in coloring and compounding of plastic materials. Our affiliate, Interstella is an investing company of Stella Tech Engineering Plastics (Shenzhen) and also serves as a contact for purchasing and sales. Tomoe (Hong Kong) and its subsidiary Tomoe Trading (Shenzhen) are 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 subsidiaries 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 expand business overseas, and that of Chemical Products Business is to discover unique new commercial products, to seek new customers and to deploy business aggressively for overseas markets.

To achieve continuous progress on our basic strategy, in November 2013 we formulated the Tenth Mid-term Management Plan "Target 2016" (from November 1, 2013 to October 31, 2016). 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. More specifically, in the Machinery & Equipment Business, we will expand foreign sales centered on North and South America, China and Southeast Asia, while increasing domestic sales of our low-power, energy-saving centrifuge. In the Chemical Products Business, we set key strategies to increase overseas sales by developing new markets and new commercial products mainly in Southeast Asian market, and to maintain our market share of the existing business by implementing measures to meet customer needs. As our objective, we will seek to achieve consolidated net sales of 47,500 million yen and ordinary income of 2,600 million yen in the fiscal year ending October 2016, the final year of our mid-term management planning period.

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

Despite lingering instability affecting the global economy, including concerns of an economic contraction in Europe and the weakening of growth in newly developing countries, some brighter indications can also be noted in the outlook for the operating environment. These include the U.S. economic recovery, which is being driven by the shale gas revolution, as well as the recovery in corporate operating results and upturn in personal consumption in Japan as a result of the government's economic measures. In light of this environment, the Tomoe Group recognizes that achieving overseas business expansion in both its businesses is a priority issue. In the Machinery & Equipment Business, we will concentrate on development of the North and South America markets based on our local subsidiaries, and on sales growth in the markets in China and Southeast Asia based on a strengthened sales agent policy. In the Chemical Products Business, we will focus on expansion of our

business territory through efforts to create new markets and commercial products mainly in Southeast Asia, which is expected to grow. In Tomoe's resin plastic compounding business at its subsidiary in Shenzhen, China, the Company will undertake a rebuilding effort aimed at reinvigorating operating results by specializing in products such as commodity plastics, and devoting efforts to retaining existing customers and acquiring new customers and broadening the market. The Company also will strive to further strengthen the operating base by systematically training the human resources who support Tomoe's overseas business and the individuals who will be responsible for the future management of these operations. To steadily execute these issues, the Company's policy is to achieve sustained growth in both of the Company's businesses, and bolster its capacity to generate stable earnings, by promoting management policies based on Tomoe's 10th Medium-Term Management Plan.

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. From the view point of corporate governance, we will 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. Moreover, the Company will also work to strengthen its management organization to ensure business continuity, as a measure against the risk of occurrence of a major natural disaster like the Great East Japan Earthquake.

#### 4. Consolidated Financial Statements

##### (1) Balance Sheets

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Deposits	7,463,174	7,171,846
Notes and Accounts Receivable-Trade	13,303,606	12,639,632
Merchandise and Finished Goods	3,392,880	3,231,590
Work in Process	866,726	888,624
Raw Materials and Supplies	943,399	988,780
Deferred Tax Assets	567,855	405,172
Others	243,152	249,739
Allowance for Doubtful Accounts	-11,236	-7,053
<b>Total Current Assets</b>	<b>26,769,560</b>	<b>25,568,332</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	2,350,890	2,434,925
Accumulated Depreciation	-1,421,955	-1,479,133
Buildings and Structures, Net	928,934	955,791
Machinery, Equipment and Vehicles	3,578,358	3,867,792
Accumulated Depreciation	-2,801,629	-3,136,674
Machinery, Equipment and Vehicles, Net	776,729	731,117
Land	922,024	920,536
Lease Assets	40,902	9,867
Accumulated Depreciation	-34,864	-9,538
Lease Assets, Net	6,038	328
Construction in progress	2,622,040	2,583,008
Others	1,025,652	1,035,492
Accumulated Depreciation	-949,624	-959,869
Others, Net	76,027	75,623
<b>Total Property, Plant and Equipment</b>	<b>5,331,794</b>	<b>5,266,406</b>
Intangible Assets	225,021	511,391
Investments and Other Assets		
Investment Securities	606,190	1,126,177
Guarantee Deposits	384,158	251,735
Deferred Tax Assets	29,578	23,456
Others	522,582	771,667
Allowance for Doubtful Accounts	-46,779	-41,232
<b>Total Investments and Other Assets</b>	<b>1,495,730</b>	<b>2,131,805</b>
<b>Total Noncurrent Assets</b>	<b>7,052,546</b>	<b>7,909,602</b>
<b>Total Assets</b>	<b>33,822,106</b>	<b>33,477,935</b>

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	6,956,704	6,096,703
Short-Term Loans Payable	630,376	731,535
Lease Obligations	7,216	775
Accounts Payable-Others	527,111	614,544
Income Taxes Payable	590,898	32,292
Advances Received	73,789	77,347
Provision for Bonuses	1,074,756	751,650
Provision for Directors' Bonuses	70,431	35,713
Allowance for Product Warranty	194,363	180,198
Others	234,504	278,980
<b>Total Current Liabilities</b>	<b>10,360,153</b>	<b>8,799,742</b>
<b>Noncurrent Liabilities</b>		
Long-Term Loans Payable	41,750	43,668
Lease Obligations	775	0
Provision for Retirement Benefits	38,942	47,538
Provision for Directors' Retirement Benefits	29,600	18,680
Deferred Tax Liabilities	815,962	992,832
<b>Total Noncurrent Liabilities</b>	<b>927,031</b>	<b>1,102,719</b>
<b>Total Liabilities</b>	<b>11,287,185</b>	<b>9,902,461</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	20,396,505	20,838,441
Treasury Stock	-363,393	-363,462
<b>Total Shareholders' Equity</b>	<b>22,577,731</b>	<b>23,019,599</b>
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	23,172	211,320
Deferred Gains or Losses on Hedges	525	578
Foreign Currency Translation Adjustment	-293,239	121,844
<b>Total Valuation and Translation Adjustments</b>	<b>-269,541</b>	<b>333,743</b>
<b>Minority Interests</b>	<b>226,731</b>	<b>222,130</b>
<b>Total Net Assets</b>	<b>22,534,921</b>	<b>23,575,473</b>
<b>Total Liabilities and Net Assets</b>	<b>33,822,106</b>	<b>33,477,935</b>

## (2) Consolidated Statements of Income

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
<b>Net Sales</b>	41,575,659	38,176,654
<b>Cost of Sales</b>	32,855,392	30,498,986
<b>Gross Profit</b>	8,720,267	7,677,668
<b>Selling, General and Administrative Expenses</b>	6,272,275	6,161,160
<b>Operating Income</b>	2,447,991	1,516,507
<b>Non-Operating Income</b>		
Interest income	14,960	18,952
Dividends Income	18,503	19,075
Rent Income	11,760	9,584
Foreign Exchange Gains	92,396	98,091
Others	54,424	59,691
<b>Total Non-Operating Income</b>	192,044	205,394
<b>Non-Operating Expenses</b>		
Interest Expenses	9,776	13,314
Loss on Sales of Notes Payable	69	68
Commission Paid	9,508	9,500
Sales Discount	4,771	6,489
Others	10,369	12,066
<b>Total Non-Operating Expenses</b>	34,495	41,439
<b>Ordinary Income</b>	2,605,539	1,680,463
<b>Extraordinary Income</b>		
Gain on Sales of Noncurrent Assets	11,389	0
Gain on Sales of Investment Securities	28,541	19,218
Gain on Change in Equity Interest	6,780	0
<b>Total Extraordinary Income</b>	46,711	19,218
<b>Extraordinary Losses</b>		
Loss on Retirement of Noncurrent Assets	6,092	11,180
Loss on Impairment	0	186,005
Loss on Valuation of Investment Securities	4,906	0
Loss on Valuation of Memberships	1,400	0
<b>Total Extraordinary Losses</b>	12,399	197,186
Income before Income Taxes and Minority Interests	2,639,851	1,502,495
Income Taxes-Current	1,132,475	485,344
Income Taxes-Deferred	-64,273	254,853
<b>Total Income Taxes</b>	1,068,202	740,198
Income before Minority Interests	1,571,648	762,297
Minority Interests Income	-44,739	-78,785
<b>Net Income</b>	1,616,388	841,082

## Consolidated Statements of Comprehensive Income

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
Income before Minority Interests	1,571,648	762,297
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-28,453	188,147
Deferred Gains or Losses on Hedges	295	53
Foreign Currency Translation Adjustment	28,711	489,269
Total Other Comprehensive Income	553	677,469
<b>Comprehensive Income</b>	<b>1,572,202</b>	<b>1,439,767</b>
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	1,616,812	1,444,367
Comprehensive Income attributable to Minority Interests	-44,610	-4,600

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

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
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	19,179,264	20,396,505
Changes during This Fiscal Year		
Cash Dividend Paid	-399,147	-399,146
Net Income	1,616,388	841,082
Total Amount Changed	1,217,240	441,936
Surplus during This Fiscal Year	20,396,505	20,838,441
Issued Shares Reacquired		
Surplus During Previous Fiscal Year	-363,319	-363,393
Changes During This Fiscal Year		
Issued Shares Reacquired	-73	-68
Total Amount Changed	-73	-68
Surplus during This Fiscal Year	-363,393	-363,462
Total Shareholders' Equity		
Surplus during Previous Fiscal Year	21,360,564	25,577,731
Changes during This Fiscal Year		
Cash Dividend Paid	-399,147	-399,146
Net Income	1,616,388	841,082
Issued Shares Reacquired	-73	-68
Total Amount Changed	1,217,166	441,867
Surplus during This Fiscal Year	22,577,731	23,019,599

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
<b>Revaluation and Translation Adjustments</b>		
Valuation Difference on Available-for-sale Securities		
Surplus during Previous Fiscal Year	51,626	23,172
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-28,453	188,147
Changes during This Fiscal Year	-28,453	188,147
Surplus during This Fiscal Year	23,172	211,320
Deferred Gains or Losses on Hedges		
Surplus during Previous Fiscal Year	230	525
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	295	53
Changes during This Fiscal Year	295	53
Surplus during This Fiscal Year	525	578
Foreign Currency Translation Adjustment		
Surplus during Previous Fiscal Year	-321,821	-293,239
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	28,581	415,084
Changes during This Fiscal Year	28,581	415,084
Surplus during This Fiscal Year	-293,239	121,844
<b>Total Revaluation and Translation Adjustments</b>		
Surplus during Previous Fiscal Year	-269,965	-269,541
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	423	603,284
Changes during This Fiscal Year	423	603,284
Surplus during This Fiscal Year	-269,541	333,743
<b>Minority Interests</b>		
Surplus during Previous Fiscal Year	239,227	226,731
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-12,496	-4,600
Changes during This Fiscal Year	-12,496	-4,600
Surplus during This Fiscal Year	226,731	222,130

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
Total Net Assets		
Surplus during Previous Fiscal Year	21,329,827	22,534,921
Changes during This Fiscal Year		
Cash Dividend Paid	-399,147	-399,146
Net Income	1,616,388	841,082
Issued Shares Reacquired	-73	-68
Total (Net) Amount Changed (Except Shareholders' Equity)	-12,072	598,684
Total Amount Changed	1,205,094	1,040,552
Surplus during This Fiscal Year	22,534,921	23,575,473

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

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes and Minority Interests	2,639,851	1,502,495
Depreciation and Amortization	382,304	397,696
Increase (Decrease) in Provision for Bonuses	(10,283)	(329,666)
Increase (Decrease) in Provision for Directors' Bonuses	8,654	(34,717)
Increase (Decrease) in Allowance for Product Warranty	(87,182)	(14,165)
Increase (Decrease) in Provision for Retirement Benefits	2,141	7,615
Increase (Decrease) in Provision for Directors' Retirement Benefits	(2,160)	(10,920)
Increase (Decrease) in Allowance for Doubtful Accounts	(41,712)	(9,730)
Interests and Dividends Income	(33,463)	(38,027)
Interest Expenses	9,776	13,314
Foreign Exchange Losses (Gains)	(2,313)	(65,278)
Loss (Gain) on Valuation of Investment Securities	4,906	0
Loss on Valuation of Memberships	1,400	0
Loss (Gain) on Sales of Investment Securities	(28,541)	(19,218)
Loss (Gain) on Change in Equity Interest	(6,780)	0
Loss on Impairment	0	186,005
Loss (Gain) on Sales of Noncurrent Assets	(11,389)	0
Loss on Retirement of Noncurrent Assets	6,092	11,180
Decrease (Increase) in Notes and Accounts Receivable-Trade	(806,209)	828,347
Decrease (Increase) in Inventories	(22,010)	362,893
Increase (Decrease) in Notes and Accounts Payable-Trade	449,811	-1,099,851
Increase (Decrease) in Accounts Payable-Others	(21,161)	17,748
Increase (Decrease) in Advances Received	(388,828)	366
Increase (Decrease) in Accrued Consumption Taxes	(65,364)	112,889
Others, Net	98,803	-235,544
Sub total	2,076,340	1,583,430
Interests and Dividends Income Received	33,906	34,988
Interest Expenses Paid	(8,685)	(13,988)
Income Taxes Paid	(1,096,045)	(1,105,807)
Net Cash Provided by (Used in) Operating Activities	1,005,516	498,622

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
<b>Net Cash Provided by (Used in) Investment Activities</b>		
Disbursement to Time Deposits	(6,700,000)	(7,400,000)
Proceeds from Withdrawal of Time Deposits	6,700,000	7,400,000
Purchase of Property, Plant and Equipment	(445,937)	(408,202)
Proceeds from Sales of Property, Plant and Equipment	14,787	3,294
Purchase of Intangible Fixed Assets	(185,421)	(251,694)
Purchase of Investment Securities	(16,966)	(247,497)
Proceeds from Sales of Investment Securities	52,832	25,603
Payments of Loans Receivable	(5,190)	(3,870)
Collection of Loans Receivable	2,719	2,844
Guarantee Deposits (Increase)	(27,524)	126,122
Others, Net	(1,563)	(2,528)
Net Cash Provided by (Used in) Investment Activities	(612,265)	(755,927)
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Net Increase (Decrease) in Short-Term Loans Payable	79,061	34,110
Proceeds from Long-Term Loans	51,518	0
Repayments of Lease Obligations	(14,556)	(9,063)
Purchase of Treasury Stock	(73)	(7,216)
Funds Provided by Payment from Minority Shareholders	38,893	(68)
Cash Dividends Paid	(399,147)	(399,146)
Net Cash Provided by (Used in) Financing Activities	(244,304)	(381,384)
<b>Cash and Cash Equivalents</b>		
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>		
	17,672	347,361
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	166,619	(291,328)
<b>Cash and Cash Equivalents at Beginning of Period</b>	7,296,554	7,463,174
<b>Cash and Cash Equivalents at End of This Fiscal Year</b>	7,463,174	7,171,846

## **(5) Notes for Consolidated Financial Statements**

(Notes for premise of going concern)

There are no pertinent matters to report.

(Changes in accounting principles)

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 consolidated accounting period, 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 consolidated accounting period, 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 the consolidated income is not material.

**(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, 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 Increase in Property, Plant & Equipment and Intangible Assets	251,760	130,543	382,304	0	382,304
	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.

**Current Consolidated Fiscal Year (Year Ended October 31, 2013)**

(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	9,316,923	28,859,730	38,176,654	0	38,176,654
Internal Sales Among Segments or Amount Transferred	0	0	0	0	0
Total	9,316,923	28,859,730	38,176,654	0	38,176,654
Segment Income	527,594	988,913	1,516,507	0	1,516,507
Segment Assets	8,456,726	14,209,246	22,665,973	10,811,962	33,477,935
Other Items					
Depreciation & Amortization Increase in Property, Plant & Equipment and Intangible Assets	262,384	135,311	397,696	0	397,696
	577,087	149,308	726,396	0	726,396

(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, 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.

## Current Consolidated Fiscal Year (Year Ended October 31, 2013)

### 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
31,554,864	5,906,489	715,300	38,176,654

(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	Others	Total
5,054,309	189,405	22,691	5,266,406

### 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.

(Thousands of Yen)

	Reported segments			Elimination at the Company	Total
	Machinery & Equipment Business	Chemical Products Business	Subtotal		
Impairment loss	5,423	180,582	186,005	0	186,005

(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)

	<b>Year Ended October 31, 2012</b>	<b>Year Ended October 31, 2013</b>
Net Asset per Share	¥2,235. <sup>59</sup>	¥2,340. <sup>34</sup>
Net Income per Share	¥161. <sup>98</sup>	¥84. <sup>29</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>Year Ended October 31, 2012</b>	<b>Year Ended October 31, 2013</b>
Net Income for this Fiscal Year (thousands of yen)	1,616,388	841,082
Net Income for Common Stock (thousands of yen)	1,616,388	841,082
Average number of Common Stock during the Fiscal Year	9,978,668	9,978,612

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

	<b>Year Ended October 31, 2012</b>	<b>Year Ended October 31, 2013</b>
Total for Net Asset in Consolidated Balance Sheet (thousands of yen)	22,534,921	23,575,473
Amount deducted from the total for Net Assets (thousands of yen)	226,731	222,130
(Minority Interests) (thousands of yen)	(226,731)	(222,130)
Net Asset for Common Stock (thousands of yen)	22,308,190	23,353,342
Number of Common Stock used for calculation of Net Assets per Share (share)	9,978,653	9,978,608

(Significant subsequent events)

None

## 5. Non-Consolidated Financial Statements

### (1) Balance Sheets

(Thousands of Yen)

Assets	83 <sup>rd</sup> Period (October 31, 2012)	84 <sup>rd</sup> Period (October 31, 2013)
<b>Current Assets</b>		
Cash and Deposits	5,835,545	5,219,048
Notes Receivable-Trade	2,926,364	2,806,701
Accounts Receivable-Trade	9,549,871	9,033,522
Merchandise and Finished Goods	2,315,299	2,490,026
Work in Process	740,522	757,861
Raw Materials and Supplies	869,108	909,794
Advance Payment	5,730	2,773
Prepaid Expense	97,255	98,644
Accrued Revenue	65,078	90,764
Short-Term Loans Receivable	53,361	64,927
Deferred Tax Assets	521,654	353,914
Others	6,445	6,648
Allowance for Doubtful Accounts	-11,306	-7,159
<b>Total Current Assets</b>	<b>22,974,931</b>	<b>21,827,470</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings	1,893,593	1,958,464
Accumulated Depreciation	-1,068,497	-1,099,244
Buildings, Net	825,096	859,219
Structures	142,515	125,242
Accumulated Depreciation	-125,983	-114,825
Structures, Net	16,531	10,416
Machinery and Equipment	2,265,612	2,352,035
Accumulated Depreciation	-1,935,577	-1,987,386
Machinery and Equipment, Net	330,034	364,649
Vehicles	39,437	35,972
Accumulated Depreciation	-39,437	-35,972
Vehicles, Net	0	0
Tools, Instrument and Equipment	908,497	885,909
Accumulated Depreciation	-848,042	-836,536
Tools, Instrument and Equipment, Net	60,454	49,372
Land	877,653	876,165
Lease Assets	40,902	9,867
Accumulated Depreciation	-34,864	-9,538
Lease Assets, Net	6,038	328
Construction in Progress	2,618,535	2,583,008
<b>Total Property, Plant and Equipment</b>	<b>4,734,344</b>	<b>4,743,160</b>

(Thousands of Yen)

	83 <sup>rd</sup> Period (October 31, 2012)	84 <sup>rd</sup> Period (October 31, 2013)
<b>Intangible Assets</b>		
Telephone Rights	8,165	8,165
Software	123,625	92,494
Software Suspense Account	91,042	406,598
Lease Asset	1,513	378
<b>Total Intangible Assets</b>	<b>224,346</b>	<b>507,636</b>
<b>Investments and Other Assets</b>		
Investment Securities	572,190	1,092,177
Stocks of Affiliated Companies	466,265	566,115
Investments – Affiliated Companies	371,395	171,075
Long-Term Loans Receivable to Employees	4,897	6,415
Claims in Bankruptcy	1,395	2,049
Prepaid Pension Expense	483,147	708,892
Guarantee Deposits	368,971	234,647
Others	71,644	73,015
Allowance for Doubtful Accounts	-46,779	-41,232
<b>Total Investments and Other Assets</b>	<b>2,293,127</b>	<b>2,813,155</b>
<b>Total Noncurrent Assets</b>	<b>7,251,818</b>	<b>8,063,953</b>
<b>Total Assets</b>	<b>30,226,750</b>	<b>29,891,423</b>

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>83<sup>rd</sup> Period (October 31, 2012)</b>	<b>84<sup>rd</sup> Period (October 31, 2013)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes Payable-Trade	822,060	742,348
Accounts Payable-Trade	5,025,308	4,573,094
Lease Obligations	7,216	775
Accounts Payable-Others	482,777	579,840
Income Taxes Payable	522,219	570
Accrued Business Tax	7,001	7,005
Accrued Consumption Tax	0	75,821
Provision for Bonuses	971,425	659,467
Provision for Directors' Bonuses	63,609	32,886
Allowance for Product Warranty	194,363	180,198
Accrued Expenses	15	15
Advances Received	62,856	65,525
Deposit Payable	121,138	90,040
Guarantee Deposit	81,275	83,251
<b>Total Current Liabilities</b>	<b>8,361,267</b>	<b>7,090,842</b>
<b>Noncurrent Liabilities</b>		
Lease Obligations	775	0
Provision for Retirement Benefits	7,134	11,220
Provision for Directors' Retirement Benefits	29,600	18,680
Provision for loss on guarantees	0	91,000
Deferred Tax Liabilities	815,962	992,832
<b>Total Noncurrent Liabilities</b>	<b>853,472</b>	<b>1,113,733</b>
<b>Total Liabilities</b>	<b>9,214,740</b>	<b>8,204,576</b>

(Thousands of Yen)

	83 <sup>rd</sup> Period (October 31, 2012)	84 <sup>rd</sup> Period (October 31, 2013)
<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	24,572	23,271
Other Reserve	16,330,000	17,430,000
Earned Surplus Carried Forward	1,972,512	1,360,519
<b>Total Retained Earnings</b>	18,807,085	19,293,791
<b>Treasury Stock</b>	-363,393	-363,462
<b>Total Shareholders' Equity</b>	20,988,311	21,474,948
<b>Valuation and Translation Adjustments</b>		
Valuation Difference on Available-for-Sale Securities	23,172	211,320
Deferred Gains or Losses on Hedges	525	578
<b>Total Valuation and Translation Adjustments</b>	23,698	211,899
<b>Total Net Assets</b>	21,012,009	21,686,847
<b>Total Liabilities and Net Assets</b>	30,226,750	29,891,423

## (2) Statements of Income

(Thousands of Yen)

	83 <sup>rd</sup> Period (October 31, 2012)	84 <sup>rd</sup> Period (October 31, 2013)
<b>Net Sales</b>		
Sales of Finished Goods	11,735,989	8,741,282
Merchandise Sale	27,018,606	26,513,247
<b>Total Cost of Sales</b>	38,754,595	35,254,529
<b>Cost of Sales</b>		
Cost of Finished Goods Sold		
Beginning Inventory	61,193	69,845
Cost of Manufacture	8,346,009	6,370,220
<b>Total</b>	8,407,203	6,440,065
Account Transfer for non-Products	0	8,495
Ending Inventory	69,845	468,997
Cost of Sales	8,337,357	5,962,572
Cost of Merchandise Sold		
Beginning Inventory	2,394,485	2,245,453
Purchase Amount	22,287,814	22,016,772
<b>Total</b>	24,682,300	24,262,226
Ending Inventory	2,245,453	2,021,029
Cost of Sales	22,436,846	22,241,197
<b>Total Cost of Sales</b>	30,774,204	28,203,769
<b>Gross Profit</b>	7,980,391	7,050,759
<b>Selling, General and Administrative Expenses</b>	5,756,441	5,472,353
<b>Operating Income</b>	2,223,949	1,578,406
<b>Non-Operating Income</b>		
Interest income	5,099	4,490
Dividends Income	96,577	78,148
Rent Income	64,676	62,513
Foreign Exchange Gains	97,014	127,662
Others	49,051	49,845
<b>Total Non-Operating Income</b>	312,418	322,659
<b>Non-Operating Expenses</b>		
Interest Expenses	875	703
Loss on Sales of Notes Payable	69	68
Rental Cost	22,357	21,834
Commission Paid	9,508	9,500
Sales Discount	4,771	6,489
Others	10,773	7,549
<b>Total Non-Operating Expenses</b>	48,356	46,145
<b>Ordinary Income</b>	2,488,011	1,854,920

(Thousands of Yen)

	83 <sup>rd</sup> Period (October 31, 2012)	84 <sup>rd</sup> Period (October 31, 2013)
<b>Extraordinary Income</b>		
Gain on Sales of Property, Plant and Equipment	10,960	0
Gain on Sales of Investment Securities	6,141	19,218
Gain on Sale of Affiliated Company Stock	22,400	0
<b>Total Extraordinary Income</b>	39,501	19,218
<b>Extraordinary Losses</b>		
Loss on Retirement of Noncurrent Assets	0	6,305
Loss on Impairment	0	12,382
Loss on Valuation of Investment Securities	4,906	0
Loss on Valuation of Affiliated Company Stock	0	200,320
Loss on Valuation of Membership	1,400	0
Loss on Provision of Guarantees	0	91,000
<b>Total Extraordinary Losses</b>	6,306	310,007
Income before Income Taxes and Minority Interests	2,521,206	1,564,131
Income Taxes-Current	1,013,704	424,428
Income Taxes-Deferred	-63,571	253,851
<b>Total Income Taxes</b>	950,133	678,279
<b>Net Income</b>	1,571,072	885,851

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

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
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	24,071	24,572
Changes during This Fiscal Year		
Reversal of Reserve for Deferred Gains on Fixed Assets	-1,298	-1,301
Increase in Reserve for Advanced Depreciation of Fixed Assets due to change of effective tax rate	1,799	0
Total Amount Changed	501	-1,301
Surplus during This Fiscal Year	24,572	23,271
Other Reserve		
Surplus during Previous Fiscal Year	13,900,000	16,330,000
Changes during This Fiscal Year		
Accumulation of Other Reserve	2,430,000	1,100,000
Total Amount Changed	2,430,000	1,100,000
Surplus during This Fiscal Year	16,330,000	17,430,000

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
<b>Earned Surplus Carried Forward</b>		
Surplus during Previous Fiscal Year	3,231,089	1,972,512
<b>Changes during This Fiscal Year</b>		
Reversal of Reserve for Deferred Gains on Fixed Assets	1,298	1,301
Increase in Reserve for Advanced Depreciation of Fixed Assets due to change of effective tax rate	-1,799	0
Accumulation of Other Reserve	-2,430,000	-1,100,000
Cash Dividend Paid	-399,147	-399,146
Net Income	1,571,072	885,851
Total Amount Changed	-1,258,576	-611,993
Surplus during This Fiscal Year	1,972,512	1,360,519
<b>Total Retained Earnings</b>		
Surplus during Previous Fiscal Year	17,635,160	18,807,085
<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	-399,147	-399,146
Net Income	1,571,072	885,851
Total Amount Changed	1,171,924	486,705
Surplus during This Fiscal Year	18,807,085	19,293,791
<b>Treasury Stock</b>		
Surplus during Previous Fiscal Year	-363,319	-363,393
<b>Changes during This Fiscal Year</b>		
Issued Shares Recquired	-73	-68
Total Amount Changed	-73	-68
Surplus during This Fiscal Year	-363,393	-363,462
<b>Total Shareholders' Equity</b>		
Surplus during Previous Fiscal Year	19,816,460	20,988,311
<b>Changes during This Fiscal Year</b>		
Cash Dividend Paid	-399,147	-399,146
Net Income	1,571,072	885,851
Issued Shares Recquired	-73	-68
Total Amount Changed	1,171,851	486,637
Surplus during This Fiscal Year	20,988,311	21,474,948

(Thousands of Yen)

	Year Ended October 31, 2012	Year Ended October 31, 2013
Valuation and Translation Adjustments		
Valuation Difference on Available-for-sale Securities		
Surplus During Previous Fiscal Year	51,626	23,172
Changes During This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-28,453	188,147
Changes during This Fiscal Year	-28,453	188,147
Surplus during This Fiscal Year	23,172	211,320
Deferred Gains or Losses on Hedges		
Surplus during Previous Fiscal Year	230	525
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	295	53
Changes during This Fiscal Year	295	53
Surplus during This Fiscal Year	525	578
Total Valuation and Translation Adjustments		
Surplus during Previous Fiscal Year	51,856	23,698
Changes during This Fiscal Year		
Total (Net) Amount Changed (Except Shareholders' Equity)	-28,158	188,200
Changes during This Fiscal Year	-28,158	188,200
Surplus during This Fiscal Year	23,698	211,899
Total Net Assets		
Surplus during Previous Fiscal Year	19,868,317	21,012,009
Changes during This Fiscal Year		
Cash Dividend Paid	-399,147	-399,146
Net Income	1,571,072	885,851
Issued Shares Recquired	-73	-68
Total (Net) Amount Changed (Except Shareholders' Equity)	-28,158	188,200
Total Amount Changed	1,143,692	674,837
Surplus during This Fiscal Year	21,012,009	21,686,847

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

(Notes for premise of going concern)

There are no pertinent matters to report.

(Changes in reporting methods)

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 15,545,000 yen reported for “Others” in the Consolidated Statement of Income in the previous consolidated fiscal year has been reclassified as “Sales discounts” of 4,771,000 yen and “Others” of 10,773,000 yen.

(Per Share Information)

	<b>83<sup>rd</sup> Period</b> <b>(Year Ended October 31, 2012)</b>	<b>84<sup>th</sup> Period</b> <b>(Year Ended October 31, 2013)</b>
Net Asset per Share	¥2,105. <sup>70</sup>	¥2,173. <sup>33</sup>
Net Income per Share	¥157. <sup>44</sup>	¥88. <sup>78</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>83<sup>rd</sup> Period</b> <b>(Year Ended October 31, 2012)</b>	<b>84<sup>th</sup> Period</b> <b>(Year Ended October 31, 2013)</b>
Net Income for this Fiscal Year (thousands of yen)	1,571,072	885,851
Net Income for Common Stock (thousands of yen)	1,571,072	885,851
Average number of Common Stock during the Fiscal Year (shares)	9,978,668	9,978,612

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

	<b>83<sup>rd</sup> Period</b> <b>(Year Ended</b> <b>October 31, 2012)</b>	<b>84<sup>th</sup> Period</b> <b>(Year Ended</b> <b>October 31, 2013)</b>
Total for Net Assets (thousands of yen)	21,012,009	21,686,847
Net Assets for Common Stock (thousands of yen)	21,012,009	21,686,847
Number of Common Stock as of the end of the Current Consolidated Fiscal Year used for calculation of Net Assets per Share (shares)	9,978,653	9,978,608