

Financial Results for the First Quarter Ended January 31, 2015 [Japan GAAP] (Consolidated)

Date: March 4, 2015
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
 (URL: http://www.tomo-e.co.jp/index_e.html)
 Stock exchange listing: 1st Section, Tokyo Stock Exchange
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 Date to report Quarterly Consolidated Financial Statement: March 16, 2015
 Date for Dividend Payment: Not applicable to financial quarters.
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Not prepared for financial quarters.
 Briefing Session for Quarterly Operating Results: Not planned.

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

1. Consolidated Financial Data for the First Quarter Ended January 31, 2015

(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 January 31, 2015	9,572	5.1	287	140.6	481	69.2
Quarter Ended January 31, 2014	9,106	7.2	119	11.1	284	67.6

	Net Income		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended January 31, 2015	383	45.5	38. ⁴³	-
Quarter Ended January 31, 2014	263	207.3	26. ⁴¹	-

(Note) Comprehensive income

First Quarter ended January 31, 2015: 615 million yen (39.5%) First Quarter ended January 31, 2014: 441 million yen (27.0%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended January 31, 2015	34,524	24,801	71.8
Year Ended October 31, 2014	33,817	23,943	70.8

(Reference) Net assets

First Quarter ended January 31, 2015: 24,801 million yen Year Ended October 31, 2014: 23,943 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, 2014	-	22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2015	-				
Year Ending October 31, 2015 (Prospect)		22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰

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

3. Forecast for Earnings for the Year Ending October 31, 2015 (Consolidated)

(Percent: 2nd Quarter YTD - change from the same quarter of the previous year;
Full Business Year - change from the previous Full Business Year)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
2 nd Quarter YTD	20,700	3.7	880	4.0	900	-12.2
Full Business Year	42,700	4.9	1,830	43.7	1,850	13.5

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
2 nd Quarter YTD	670	-13.5	67. ¹⁴
Full Business Year	1,150	4.3	115. ²⁵

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

Notes

(1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes 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): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

For more information, please refer to the supporting data on page 4, (3) Changes in accounting principles, changes in accounting estimates and retrospective restatements

(4) Number of outstanding shares (Common stock)

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

At January 31, 2015: 10,533,200 shares At October 31, 2014: 10,533,200 shares

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

At January 31, 2015: 554,667 shares At October 31, 2014: 554,667 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2015: 9,978,533 shares At January 31, 2014: 9,978,608 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) [Analysis of Future Forecast on Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast.

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1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Analysis of Operating Results

During the first quarter, Japan's economy maintained a gradual recovery trend that was driven by several factors, including an expansion of exports that accompanied the overseas economic recovery, particularly in the United States, a rising trend in capital investment supported by strong corporate earnings, and an upswing in personal consumption against the backdrop of an improved household income and employment environment. Nevertheless, even as the U.S. economy maintained its recovery trend, conditions overseas that made it impossible to banish concerns of an economic slowdown lingered. In addition to the weakness in growth evident in the economies of newly developing countries including China, negative factors included the adverse effects of a slump in crude oil prices and the Greek debt problem in Europe.

Given these circumstances, in the Machinery & Equipment Business net sales of machinery, components and repair services for domestic private sector demand were lower, but net sales of machinery, components and repair services for overseas expanded, centered on North America, and net sales of equipment and works, components and repair services for domestic public sector demand remained steady. In the Chemical Products Business, net sales for the domestic plastics sector and fine chemicals sector lacked strength, but net sales in the industrial materials sector and electronics materials sector, as well as of products such as commodity plastics in Hong Kong, all remained strong. In terms of earnings during the period, profits were lower in the Chemical Products Business, primarily because of the deterioration in earning in the resin plastic compounding business in Shenzhen, China, but profits overall increased, mainly because of higher earnings in the Machinery & Equipment Business.

As a result of the above, net sales for the Tomoe Engineering Group for the consolidated first quarter rose 5.1% from the same period last year to 9,572 million yen. Operating income was 287 million yen, 140.6% up from the same period of the prior year, ordinary income was 481 million yen, 69.2% up from the same period of the prior year, and net income was 383 million yen, 45.5% up from the same period one year earlier.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated net sales for the year-to-date period were 1,948 million yen, 26.2% up from the same period last year. Net sales of machinery and components and repair services for domestic private sector demand were lower, but net sales of machinery and components and repair services for overseas markets centered on North America increased, and net sales of machinery and works and components and repair services for domestic public sector demand remained steady. From an earnings aspect, because net sales for the entire business were pushed higher by the growth in net sales of machinery and component and repair services for overseas markets, particularly in North America, operating income recovered from the operating loss of 137 million yen reported in the same period one year ago and came to 56 million yen.

(Chemical Products Business)

In the Chemical Products Business, sales in the plastics sector of high performance resins, and sales in the fine chemicals sector of commercial products for paints and adhesives and sales of products such as drug-related materials decreased. On the other hand, sales in the industrial materials sector for housing and construction applications, sales in the electronics materials sector of transport trays for semiconductor manufacturing applications, and sales of commodity plastics in Hong Kong remained strong. As a result, consolidated net sales for the year-to-date period were 7,623 million yen, 0.8% up from the same period one year ago.

With respect to earnings during the period, operating income was 230 million yen, 10.4% down from the same period one year earlier. Factors behind this performance included the impact from lower sales in the plastics sector and fine chemicals sector, and a contraction in profits in the plastic compounding business in Shenzhen, China that reflected a decrease in sales.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 34,524 million yen, up 2.1% or 706 million yen from the end of the previous consolidated fiscal year. This mainly reflected a reduction of 1,261 million yen in cash and deposits because of payments of bonus, corporate tax and dividend, among other changes, and an increase of 941 million yen in inventory, and an increase of 739 million yen in asset for retirement benefits.

Liabilities were 9,722 million yen, down 1.5% or 151 million yen from the end of the previous consolidated fiscal year, mainly because of a decrease of 502 million yen in income tax payable, a decrease of 392 million yen in provision for bonuses, and an increase of 619 million yen in notes and accounts payable-trade.

Net assets stood at 24,801 million yen, 857 million yen or 3.6% up from the end of the previous consolidated fiscal year. This mainly reflected an increase of 625 million yen in retained earnings and a 173 million yen increase in the translation adjustments account.

As a result of the above changes, the equity ratio at the end of the consolidated first quarter under review rose by 1.0 point compared with the end of the previous consolidated fiscal year to 71.8%.

(3) Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast

There are no revisions to the consolidated earnings forecast figures for the fiscal year ending in October 31, 2015 that were announced in the "Financial Results for the Fiscal Year Ended October 31, 2014 [Japan GAAP] (Consolidated)" released on December 11, 2014.

2. Matters Concerning Summary Information (Other)

(1) Changes to material subsidiaries during the quarterly consolidated period under review:

There are no pertinent matters to report.

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements:

There are no pertinent matters to report.

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

(Application of the Accounting Standard for Retirement Benefits)

Beginning from the first quarter consolidated accounting period, the Company has applied the *Accounting Standard for Retirement Benefits* (Accounting Standards Board of Japan (ASBJ) Statement No. 26, referred to below as “the Retirement Benefit Accounting Standard”) and the *Implementation Guidance on Accounting Standard for Retirement Benefits* (ASBJ Guidance No. 25, referred to below as “the Retirement Benefits Implementation Guidance”) under the provisions in the main clauses of Article 35 of the *Accounting Standard for Retirement Benefits* and Article 67 of the *Guidance on Accounting Standard for Retirement Benefits*. The Company has revised its calculation methods for retirement benefit obligations and service costs, and together with changing its method for attributing projected retirement benefits to periods from the straight-line basis to the benefit formula basis, also has revised its method for determining the discount rate, from a method based on the number of years approximate to the expected average remaining working lives of employees, to a method that uses a single weighted average discount rate reflecting the estimated retirement benefit payment periods and amount per each estimated retirement benefit payment period.

To apply the *Accounting Standard for Retirement Benefits*, the Company has recognized the effect of this revision to its calculation methods for retirement benefit obligations and service costs by adjusting the balance of retained earnings at the beginning of first quarter consolidated accounting period, in accordance with the transitional provisions set forth in paragraph 37 of the *Accounting Standard for Retirement Benefits*.

As a result, net defined benefit assets increased by ¥725,010,000 yen, and retained earnings increased by ¥466,457,000 yen, as of the beginning of the first quarter consolidated accounting period. The effect of this change on first quarter consolidated accounting period earnings is not material.

3. Quarterly Consolidated Financial Statement

(1) Quarterly Consolidated Balance Sheets (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2014)	End of First Quarter (January 31, 2015)
Current Assets		
Cash and Deposits	5,661,622	4,399,722
Notes and Accounts Receivable-Trade	14,321,437	14,568,456
Merchandise and Finished Goods	2,834,556	2,947,664
Work in Process	1,193,440	1,864,337
Raw Materials and Supplies	772,969	930,415
Deferred Tax Assets	579,233	451,282
Others	225,244	275,926
Allowance for Doubtful Accounts	-5,251	-3,914
Total Current Assets	25,583,252	25,433,890
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	2,742,339	2,729,478
Accumulated Depreciation	-1,533,884	-1,519,690
Buildings and Structures, Net	1,208,455	1,209,788
Machinery, Equipment and Vehicles	4,045,863	3,990,984
Accumulated Depreciation	-3,346,731	-3,296,381
Machinery, Equipment and Vehicles, Net	699,131	694,602
Land	930,711	931,769
Construction in progress	2,581,210	2,618,948
Others	1,102,854	1,104,011
Accumulated Depreciation	-977,538	-980,625
Others, Net	125,316	123,385
Total Property, Plant and Equipment	5,544,824	5,578,494
Intangible Assets	451,969	442,084
Investments and Other Assets		
Investment Securities	1,255,543	1,348,098
Guarantee Deposits	243,293	244,640
Net Defined Benefit Assets	596,943	1,336,491
Deferred Tax Assets	36,616	36,487
Others	128,527	127,034
Allowance for Doubtful Accounts	-22,995	-22,689
Total Investments and Other Assets	2,237,928	3,070,061
Total Noncurrent Assets	8,234,723	9,090,640
Total Assets	33,817,976	34,524,531

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2014)	End of First Quarter (January 31, 2015)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	5,970,933	6,590,771
Accounts Payable-Others	535,396	641,586
Income Taxes Payable	543,046	40,879
Advances Received	431,020	194,779
Provision for Bonuses	731,676	339,367
Provision for Directors' Bonuses	36,900	14,575
Allowance for Product Warranty	223,618	221,425
Others	305,463	354,691
Total Current Liabilities	8,778,056	8,398,076
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	18,680	5,460
Net Defined Benefit Liabilities	48,646	54,071
Deferred Tax Liabilities	1,028,769	1,265,353
Total Noncurrent Liabilities	1,096,096	1,324,884
Total Liabilities	9,874,153	9,722,961
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	21,267,920	21,893,357
Treasury Stock	-363,591	-363,591
Total Shareholders' Equity	23,448,949	24,074,386
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	305,484	363,236
Deferred Gains or Losses on Hedges	1,272	353
Foreign Currency Translation Adjustment	311,609	485,086
Total Adjustment on Net Defined Benefit	-123,493	-121,492
Total Accumulated Other Comprehensive Income	494,873	727,183
Total Net Assets	23,943,822	24,801,569
Total Liabilities and Net Assets	33,817,976	34,524,531

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

Quarterly Consolidated Statements of Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2014	First Quarter Ended January 31, 2015
Net Sales	9,106,222	9,572,181
Cost of Sales	7,400,845	7,633,464
Gross Profit	1,705,376	1,938,716
Selling, General and Administrative Expenses	1,585,893	1,651,265
Operating Income	119,483	287,451
Non-Operating Income		
Interest Income	4,779	5,036
Dividends Income	107,879	9,540
Rent Income	2,410	1,758
Foreign Exchange Gains	45,273	168,578
Others	12,373	12,974
Total Non-Operating Income	172,716	197,888
Non-Operating Expenses		
Interest Expenses	3,170	427
Commission Paid	756	756
Sales Discount	1,391	1,522
Others	2,110	701
Total Non-Operating Expenses	7,428	3,407
Ordinary Income	284,770	481,932
Extraordinary Income		
Gain on Sales of Noncurrent Assets	-	15,814
Gain on Negative Goodwill	58,962	-
Total Extraordinary Income	58,962	15,814
Income before Income Taxes and Minority Interests	343,732	497,746
Income Taxes-Current	15,551	36,219
Income Taxes-Deferred	65,487	78,031
Total Income Taxes	81,038	114,251
Income before Minority Interests	262,694	383,495
Minority Interests in Income or Loss (-)	-865	-
Net Income or Loss (-)	263,560	383,495

Quarterly Consolidated Statements of Comprehensive Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2014	First Quarter Ended January 31, 2015
Income before Minority Interests	262,694	383,495
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	30,537	57,752
Deferred Gains or Losses (-) on Hedges	-775	-919
Foreign Currency Translation Adjustment	148,834	173,476
Net Defined Benefit	-	2,000
Total Other Comprehensive Income	178,595	232,310
Comprehensive Income	441,289	615,806
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	427,236	615,806
Comprehensive Income attributable to Minority Interests	14,052	

(3) Notes on Quarterly Consolidated Financial Statements

(Note for premise of going concern)

There are no pertinent matters to report.

(Notes for significant changes in shareholder's equity)

There are no pertinent matters to report.

(Segment Information, etc.)

First Quarter Ended January 31, 2014

1 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	1,544,442	7,561,780	9,106,222	9,106,222
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,544,442	7,561,780	9,106,222	9,106,222
Segment Profit or Loss (-)	-137,877	257,360	119,483	119,483

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

2 Information Concerning Impairment Loss on Noncurrent Assets, Goodwill, and Other Items by Reporting Segment

(Material gain on negative goodwill)

The Tomoe Engineering Group had a gain on negative goodwill in the Chemical Products Business in conjunction with the acquisition of the stock of Interstella Co., Ltd., a consolidated subsidiary of Tomoe Engineering, which was owned by another company. The reported amount of the gain on negative goodwill in the consolidated First Quarter under review as a result of this acquisition was 58,962,000 yen.

First Quarter Ended January 31, 2015

1 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	1,948,883	7,623,297	9,572,181	9,572,181
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,948,883	7,623,297	9,572,181	9,572,181
Segment Profit	56,965	230,485	287,451	287,451

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

4. Overseas Net Sales (Supplemental Information)

First Quarter Ended January 31, 2014 (Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	1,461,944	207,955	1,669,900
II. Consolidated Net Sales	-	-	9,106,222
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	16.1	2.3	18.3

(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.

First Quarter Ended January 31, 2015 (Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	1,183,785	881,320	2,065,105
II. Consolidated Net Sales	-	-	9,572,181
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	12.4	9.2	21.6

(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.