

Financial Results for the Second Quarter Ended April 30, 2015 [Japan GAAP] (Consolidated)

Date: June 3, 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: June 12, 2015
 Date for Dividend Payment: July 6, 2015
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Yes
 Briefing Session for Quarterly Operating Results: Yes (for institutional investors)

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

1. Consolidated Financial Data for the Second Quarter Ended April 30, 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 April 30, 2015	20,086	0.6	934	10.5	1,161	13.4
Quarter Ended April 30, 2014	19,957	3.0	846	-15.2	1,024	-4.8

	Net Income		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended April 30, 2015	923	19.2	92. ⁵⁰	-
Quarter Ended April 30, 2014	774	22.6	77. ⁶¹	-

(Note) Comprehensive income

Second Quarter ended April 30, 2015: 1,175 million yen (40.2%) Second Quarter ended April 30, 2014: 838 million yen (-24.2%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended April 30, 2015	34,074	25,361	74.4
Year Ended October 31, 2014	33,817	23,943	70.8

(Reference) Net assets

Second Quarter ended April 30, 2015: 25,361 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	-	22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰
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 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)
Full Business Year	40,370	-0.8	1,280	0.5	1,500	-7.9

	Net Income		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,030	-6.6	103.22

(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 April 30, 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 April 30, 2015: 554,667 shares At October 31, 2014: 554,667 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2015: 9,978,533 shares At April 30, 2014: 9,978,599 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.

Table of Contents (Supporting Data)

1. Qualitative Information on Quarterly Consolidated Operating Results.....	2
(1) Analysis of Operating Results.....	2
(2) Analysis of Financial Condition.....	3
(3) Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast.....	3
2. Matters Concerning Summary Information (Notes).....	4
(1) Changes to material subsidiaries during the consolidated cumulative second quarter.....	4
(2) Application of special accounting method in the preparation of quarterly consolidated financial statements.....	4
(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements...4	
(4) Additional Information.....	4
3. Quarterly Consolidated Financial Statement.....	5
(1) Quarterly Consolidated Balance Sheet.	5
(2) Quarterly Consolidated Statements of Income & Quarterly Consolidated Statements of Comprehensive Income.....	7
Quarterly Consolidated Statements of Income.....	7
Quarterly Consolidated Statements of Comprehensive Income.....	8
(3) Quarterly Consolidated Statements of Cash Flows.....	9
(4) Notes for Quarterly Consolidated Financial Statements.....	11
(Note for premise of going concern).....	11
(Notes for significant changes in shareholder's equity).....	11
(Segment information)	11
4. Overseas Net Sales (Supplemental Information).....	12

1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Analysis of Operating Results

During the consolidated second quarter under review, Japan's economy maintained a gradual recovery trend that was driven by several factors, including a rising trend in capital investment supported by an improvement of corporate earnings, and a brisk movement in personal consumption against the backdrop of an improved household income and employment. 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 domestic sales were lower, but net sales of machinery, components and repair services for overseas expanded, centered on North America. 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 in the Machinery & Equipment Business, profits rose as sales of machinery and components and repair services in the highly profitable overseas increased market, particularly in North America. In addition, a gain on sales of investment securities and other assets was reported in extraordinary income, and taxes decreased as a result of the revaluation of deferred tax assets and liabilities in conjunction with the reduction of the normal effective statutory tax rate as part of the fiscal 2015 tax reform.

As a result of the above, consolidated net sales for the year-to-date period rose 0.6% from the same period last year to 20,086 million yen. Operating income was 934 million yen, 10.5% up from the same period of the prior year, ordinary income was 1,161 million yen, 13.4% up from the same period of the prior year, and net income was 923 million yen, 19.2% 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 5,070 million yen, 0.7% up from the same period last year. Net sales of machinery, equipment and works, and components and repair services for domestic market were lower, but net sales of machinery and components and repair services for overseas markets centered on North America increased. 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 high-margin overseas markets, particularly in North America, operating income was 421 million yen, 40.9% up from the same period of the prior year

(Chemical Products Business)

In the Chemical Products Business, sales in the plastics sector and the fine chemicals sector for the domestic market decreased. On the other hand, sales in the industrial materials sector for additive for use in aluminum alloy, and 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 15,016 million yen, 0.6% up from the same period one year ago.

With respect to earnings during the period, operating income was 513 million yen, 6.2% 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

[1] Assets, Liabilities, and Net Assets

Total assets as of the end of the consolidated second quarter under review were 34,074 million yen, up 0.8% or 256 million yen from the end of the previous consolidated fiscal year. This mainly reflected a reduction of 1,630 million yen in notes and accounts receivable-trade, among other changes, and an increase of 881 million yen in cash and deposits, an increase of 368 million yen in inventory, and an increase of 757 million yen in asset for retirement benefits.

Liabilities were 8,712 million yen, down 11.8% or 1,161 million yen from the end of the previous consolidated fiscal year, mainly because of a decrease of 444 million yen in notes and accounts payable-trade, a decrease of 323 million yen in advances received, and a decrease of 252 million yen in income tax payable.

Net assets stood at 25,361 million yen, 1,417 million yen or 5.9% up from the end of the previous consolidated fiscal year. This mainly reflected an increase of 1,164 million yen in retained earnings.

As a result of the above changes, the equity ratio at the end of the consolidated second quarter under review rose by 3.6 point compared with the end of the previous consolidated fiscal year to 74.4%.

[2] Cash Flow Status

Cash and cash equivalents as of the end of the consolidated second quarter under review increased by 181 million yen to 5,843 million yen from the end of the previous consolidated fiscal year. The status of each consolidated cash flow and their factors during the second quarter are as follows:

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

Net cash provided in operating activities was 973 million yen (increased in cash flow provided by 173 million yen from the same consolidated quarter of the previous year). Income before income taxes and minority interests was 1,247 million yen, and notes and accounts receivable-trade decreased by 1,544 million yen, notes and accounts payable-trade decreased by 386 million yen, and advances received decreased by 364 million yen.

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

Net cash used in investing activities was 781 million yen (decrease in cash flow used by 1,678 million yen from the same consolidated quarter of the previous year), mainly for the disbursements to time deposits and the difference from refund of 700 million yen.

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

Net cash used in financing activities was 224 million yen (decrease in cash flow used by 600 million yen from the same consolidated quarter of the previous year) for the payment of cash dividends of 224 million yen.

(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 "Announcement of Amendment to Earning Forecast" released on May 29, 2015.

2. Matters Concerning Summary Information (Notes)

(1) Changes to material subsidiaries during the consolidated cumulative second quarter:

There are no pertinent matters to report. However at the Board of Directors meeting held on February 27, 2015, Interstella Plastics (Shenzhen) Co., Ltd., a specified subsidiary, approved a resolution to dissolve and is currently in liquidation.

(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 second 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 second quarter consolidated accounting period. The effect of this change on second quarter consolidated accounting period earnings is not material.

(4) Additional information

(Effect of revisions to the corporate tax rate)

With the promulgation of the Act for Partial Revision of the Local Tax Act (Act No. 2 of 2015) and the Act for Partial Revision of the Income Tax Act Etc. (Act No. 9 of 2015) on March 31, 2015, Japan’s corporate tax rate and business tax rate will be reduced in the consolidated fiscal year beginning on or after April 1, 2015. In conjunction with this change, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be revised from 35.64% applied in the past to 33.06% for temporary differences expected to be eliminated in the consolidated fiscal year that begins on November 1, 2015, and to 32.30% for temporary differences expected to be eliminated in the consolidated fiscal years that begin from November 1, 2016.

As a result, deferred tax liabilities (the amount after deducting deferred tax assets) have been reduced by 122,279,000 yen. In addition, income taxes-deferred have been reduced by 111,110,000 yen.

3. Quarterly Consolidated Financial Statement

(1) Quarterly Consolidated Balance Sheets (Second Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2014)	End of Second Quarter (April 30, 2015)
Current Assets		
Cash and Deposits	5,661,622	6,543,179
Notes and Accounts Receivable-Trade	14,321,437	12,690,968
Merchandise and Finished Goods	2,834,556	3,004,857
Work in Process	1,193,440	1,290,074
Raw Materials and Supplies	772,969	875,004
Deferred Tax Assets	579,233	432,773
Others	225,244	213,247
Allowance for Doubtful Accounts	-5,251	-3,632
Total Current Assets	25,583,252	25,046,474
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	2,742,339	4,496,578
Accumulated Depreciation	-1,533,884	-1,589,057
Buildings and Structures, Net	1,208,455	2,907,520
Machinery, Equipment and Vehicles	4,045,863	4,129,728
Accumulated Depreciation	-3,346,731	-3,470,308
Machinery, Equipment and Vehicles, Net	699,131	659,420
Land	930,711	1,938,587
Construction in progress	2,581,210	500
Others	1,102,854	1,123,425
Accumulated Depreciation	-977,538	-999,596
Others, Net	125,316	123,829
Total Property, Plant and Equipment	5,544,824	5,629,858
Intangible Assets	451,969	412,931
Investments and Other Assets		
Investment Securities	1,255,543	1,272,199
Guarantee Deposits	243,293	256,538
Net Defined Benefit Assets	596,943	1,354,224
Deferred Tax Assets	36,616	-
Others	128,527	124,674
Allowance for Doubtful Accounts	-22,995	-22,709
Total Investments and Other Assets	2,237,928	2,984,927
Total Noncurrent Assets	8,234,723	9,027,716
Total Assets	33,817,976	34,074,190

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2014)	End of Second Quarter (April 30, 2015)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	5,970,933	5,526,280
Accounts Payable-Others	535,396	585,393
Income Taxes Payable	543,046	290,435
Advances Received	431,020	107,068
Provision for Bonuses	731,676	605,979
Provision for Directors' Bonuses	36,900	23,639
Allowance for Product Warranty	223,618	130,245
Others	305,463	200,381
Total Current Liabilities	8,778,056	7,469,424
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	18,680	5,460
Net Defined Benefit Liabilities	48,646	58,142
Deferred Tax Liabilities	1,028,769	1,179,547
Total Noncurrent Liabilities	1,096,096	1,243,150
Total Liabilities	9,874,153	8,712,574
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	22,432,905
Treasury Stock	-363,591	-363,591
Total Shareholders' Equity	23,448,949	24,613,934
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	305,484	393,210
Deferred Gains or Losses on Hedges	1,272	-76
Foreign Currency Translation Adjustment	311,609	480,241
Total Adjustment on Net Defined Benefit	-123,493	-125,692
Total Accumulated Other Comprehensive Income	494,873	747,681
Total Net Assets	23,943,822	25,361,616
Total Liabilities and Net Assets	33,817,976	34,074,190

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

Quarterly Consolidated Statements of Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2014	Second Quarter Ended April 30, 2015
Net Sales	19,957,177	20,086,760
Cost of Sales	15,928,366	15,891,770
Gross Profit	4,028,811	4,194,989
Selling, General and Administrative Expenses	3,182,628	3,260,339
Operating Income	846,183	934,650
Non-Operating Income		
Interest Income	9,459	8,615
Dividends Income	108,677	10,457
Rent Income	4,820	3,516
Foreign Exchange Gains	48,403	197,408
Others	25,727	21,605
Total Non-Operating Income	197,088	241,603
Non-Operating Expenses		
Interest Expenses	4,795	758
Commission Paid	7,963	7,987
Sales Discount	2,946	2,993
Others	3,074	2,968
Total Non-Operating Expenses	18,779	14,709
Ordinary Income	1,024,492	1,161,544
Extraordinary Income		
Gain on Sales of Noncurrent Assets	-	27,208
Gain on Sales of Investment Securities	-	58,703
Gain on Negative Goodwill	145,132	-
Total Extraordinary Income	145,132	85,911
Extraordinary Expenses		
Loss on Retirement of Noncurrent Assets	5,991	-
Loss on of Sales Noncurrent Assets	2,034	-
Total Extraordinary Expenses	8,026	-
Income before Income Taxes and Minority Interests	1,161,597	1,247,456
Income Taxes-Current	357,290	274,921
Income Taxes-Deferred	37,919	49,491
Total Income Taxes	395,210	324,412
Income before Minority Interests	766,387	923,043
Minority Interests in Income or Loss (-)	-8,089	-
Net Income	774,476	923,043

Quarterly Consolidated Statements of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2014	Second Quarter Ended April 30, 2015
Income before Minority Interests	766,387	923,043
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-13,275	87,725
Deferred Gains or Losses (-) on Hedges	-410	-1,349
Foreign Currency Translation Adjustment	86,228	168,631
Net Defined Benefit	-	-2,199
Total Other Comprehensive Income	72,542	252,808
Comprehensive Income	838,930	1,175,852
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	836,033	1,175,852
Comprehensive Income attributable to Minority Interests	2,896	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of Yen)

	Second Quarter Ended April 30, 2014	Second Quarter Ended April 30, 2015
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes and Minority Interests	1,161,597	1,247,456
Depreciation and Amortization	195,325	216,113
Increase (Decrease) in Provision for Bonuses	(53,017)	(128,041)
Increase (Decrease) in Provision for Directors' Bonuses	(10,431)	(13,260)
Increase (Decrease) in Allowance for Product Warranty	(57,525)	(93,373)
Increase (Decrease) in Provision for Retirement Benefits	6,465	-
Increase (Decrease) in Net Defined Benefit Liability	-	8,959
Decrease (Increase) in Prepaid Pension Expense	(55,283)	-
Decrease (Increase) in Net Defined Benefit Asset	-	(32,270)
Increase (Decrease) in Provision for Directors' Retirement Benefits	-	(13,220)
Increase (Decrease) in Allowance for Doubtful Accounts	(4,460)	(1,905)
Interests and Dividends Income	(118,136)	(19,073)
Interest Expenses	4,795	758
Foreign Exchange Losses (Gains)	(18,596)	(29,471)
Loss (Gain) on Sales of Investment Securities	-	(58,703)
Gain (Loss) on Negative Goodwill	145,132	-
Loss (Gain) on Sales of Noncurrent Assets	2,034	(27,208)
Loss on Retirement of Noncurrent Assets	5,991	-
Decrease (Increase) in Notes and Accounts Receivable-Trade	(7,172)	1,544,809
Decrease (Increase) in Inventories	172,484	(369,661)
Increase (Decrease) in Notes and Accounts Payable-Trade	(473,092)	(386,799)
Increase (Decrease) in Accounts Payable-Others	2,398	66,311
Increase (Decrease) in Advances Received	140,771	(364,336)
Increase (Decrease) in Accrued Consumption Taxes	(15,659)	(84,079)
Others, Net	(64,243)	26,742
Sub total	669,111	1,489,747
Interests and Dividends Income Received	121,295	20,317
Interest Expenses Paid	(5,219)	(766)
Income Taxes Returned (Paid)	14,691	(536,109)
Net Cash Provided by (Used in) Operating Activities	799,879	973,189

(Thousands of Yen)

	Second Quarter Ended April 30, 2014	Second Quarter Ended April 30, 2015
Net Cash Provided by (Used in) Investment Activities		
Disbursement to Time Deposits	(4,300,000)	(1,500,000)
Proceeds from Withdrawal of Time Deposits	2,400,000	800,000
Purchase of Property, Plant and Equipment	(388,387)	(229,331)
Proceeds from Sales of Property, Plant and Equipment	-	29,862
Purchase of Intangible Fixed Assets	(113,726)	(25,364)
Purchase of Investment Securities	(7,323)	(8,135)
Proceeds from Sales of Investment Securities	-	156,049
Payments of Loans Receivable	(2,190)	(1,710)
Collection of Loans Receivable	1,026	2,269
Guarantee Deposits (Increase)	2,248	(4,449)
Others, Net	(52,469)	(1,150)
Net Cash Provided by (Used in) Investment Activities	(2,460,823)	(781,962)
Net Cash Provided by (Used in) Financing Activities		
Net Increase (Decrease) in Short-Term Loans Payable	(238,955)	-
Repayments of Lease Obligations	(775)	-
Repayment of Long-Term Loans	(56,534)	-
Purchase of Stock from Minority Shareholders	(79,894)	-
Purchase of Treasury Stock	(128)	-
Cash Dividends Paid	(449,037)	(224,516)
Net Cash Provided by (Used in) Financing Activities	(825,326)	(224,516)
Cash and Cash Equivalents		
Effect of Exchange Rate Change on Cash and Cash Equivalents	98,280	214,847
Net Increase (Decrease) in Cash and Cash Equivalents	(2,387,989)	181,557
Cash and Cash Equivalents at Beginning of Period	7,171,846	5,661,622
Cash and Cash Equivalents at End of This Quarter	4,783,856	5,843,179

(4) 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.)

Second Quarter Ended April 30, 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	5,034,130	14,923,047	19,957,177	19,957,177
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,034,130	14,923,047	19,957,177	19,957,177
Segment Profit	299,170	547,012	846,183	846,183

(Note) The total amount of segment profit is identical to the operating income reported on the Quarterly 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 Second Quarter under review as a result of this acquisition was 145,132,000 yen.

Second Quarter Ended April 30, 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	5,070,004	15,016,756	20,086,760	20,086,760
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,070,004	15,016,756	20,086,760	20,086,760
Segment Profit	421,472	513,178	934,650	934,650

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

4. Overseas Net Sales (Supplemental Information)

Second Quarter Ended April 30, 2014

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	2,677,356	476,629	3,153,985
II. Consolidated Net Sales	-	-	19,957,177
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	13.4	2.4	15.8

(Notes)

1. Areas including countries or regions are determined based on their degree of geographical proximity.
2. Main countries or regions included in the areas:
 - (1) Asia: China, Korea, Taiwan and Indonesia
 - (2) Other regions: America and Europe
3. Overseas net sales are sales of our company and subsidiaries made in countries and regions other than Japan.

Second Quarter Ended April 30, 2015

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	2,351,833	1,417,527	3,769,360
II. Consolidated Net Sales	-	-	20,086,760
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	11.7	7.1	18.8

(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.