

Financial Results for the Second Quarter Ended April 30, 2016 [Japan GAAP] (Consolidated)

Date: June 2, 2016
 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
 Head Office: 5-15, Kitashinagawa 5-chome, Shinagawa-ku, Tokyo, Japan
 President: Hitoshi Yamamoto
 Investor Relations Contacts: Toshiaki Yakura, Director, General Manager of Accounting Division, Tel: (03) 3442-5127
 Date to report Quarterly Consolidated Financial Statement: June 13, 2016
 Date for Dividend Payment: July 4, 2016
 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, 2016

(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, 2016	19,847	-1.2	918	-1.7	789	-32.0
Quarter Ended April 30, 2015	20,086	0.6	934	10.5	1,161	13.4

	Net Income Attributable to Owners of the Parent		Net Income per Share	Fully Diluted Quarterly Net Income per Share
	Millions of Yen	Percent	Yen	Yen
Quarter Ended April 30, 2016	505	-45.2	50. ⁶⁹	-
Quarter Ended April 30, 2015	923	19.2	92. ⁵⁰	-

(Note) Comprehensive income

Second Quarter ended April 30, 2016: 267 million yen (-77.2%) Second Quarter ended April 30, 2015: 1,175 million yen (40.2%)

(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, 2016	34,747	25,243	72.6
Year Ended October 31, 2015	34,341	25,200	73.4

(Reference) Net assets

Second Quarter ended April 30, 2016: 25,243 million yen Year Ended October 31, 2015: 25,200 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, 2015	-	22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2016	-	22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2016 (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, 2016 (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	41,800	6.2	1,320	-4.9	1,300	-21.9

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	660	-35.8	66. ¹⁴

(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, "Matters Concerning Summary Information (Notes), 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, 2016: 10,533,200 shares At October 31, 2015: 10,533,200 shares

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

At April 30, 2016: 554,667 shares At October 31, 2015: 554,667 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2016: 9,978,533 shares At April 30, 2015: 9,978,533 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 consolidated second quarter under review, Japan's economy was restrained by concerns that put downward pressure on growth, despite a swing toward rising exports against the backdrop of a recovery in Europe's business climate. Corporate business sentiment and consumer confidence were dampened by the effects of unsteady movements in stock prices and exchange rates observed daily, and capital spending and housing investment lacked strength as well. The economy also was buffeted by the impact of the Kumamoto earthquake. Overseas, the U.S. economic recovery lacked vigor, China's readjustments were protracted, and the recovery in newly developing countries and oil-producing states lagged as well, and overall, the circumstances surrounding the future outlook were opaque.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated second quarter slipped 1.2% from the same period last year to 19,847 million yen mainly because of decreasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, profits were higher in the Chemical Products Business, but operating income was 918 million yen, 1.7% down from the same period last year because of lower net sales in the Machinery & Equipment Business, while ordinary income came to 789 million yen, 32.0% down from the same period last year because of foreign exchange losses. Profit attributable to owners of the parent was 505 million yen, 45.2% down from the same period last year.

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 5,002 million yen, 1.3% down from the same period last year. Net sales of machinery, equipment and works, and components and repair services for domestic public sector demand remained steady, but net sales of machinery and components and repair services for overseas markets centered on North America decreased. From an earnings aspect, because net sales for the entire business decreased, and in addition the value of inventory was partially reduced, operating income was 117 million yen, 72.1% down from the same period of the prior year

(Chemical Products Business)

In the Chemical Products Business, net sales of resin raw materials and UV curing resin for inks, electrodes for ferroalloy manufacturing applications in the industrial materials sector, materials for automotive and housing and construction applications, and ceramics products for semiconductor equipment manufacturing in the advanced materials sector, all remained strong. On the other hand, net sales of resin raw materials for the domestic plastics sector, transport trays for semiconductor manufacturing applications in the electronics materials sector, and resin raw materials and products at Tomoe Engineering (Hong Kong) decreased. As a result, consolidated net sales for the second quarter were 14,845 million yen, 1.1% down from the same period last year.

With respect to earnings, operating income was driven by the growth in net sales for products in the industrial materials sector and advanced materials sector, which have comparatively high margins, and amounted to 801 million yen, 56.1% up from the same period one year earlier.

(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 34,747 million yen, up 1.2% or 406 million yen from the end of the previous consolidated fiscal year. This mainly reflected a reduction of 506 million yen in notes and accounts receivable—trade, a reduction of 171 million yen in investment securities, and an increase of 1,169 million yen in cash and deposits.

Liabilities were 9,504 million yen, up 4.0% or 363 million yen from the end of the previous consolidated fiscal year, mainly because of a decrease of 120 million yen in provision for Bonuses, an increase of 324 million yen in advances received, and an increase of 194 million yen in income tax payable.

Net assets stood at 25,243 million yen, 43 million yen or 0.2% up from the end of the previous consolidated fiscal year. This mainly reflected a decrease in valuation difference on available-for-sale securities, a decrease in the translation adjustments account with overseas subsidiaries associated with evaluation of Japanese yen, and an increase in retained earnings recorded under quarterly net income.

As a result of the above changes, the equity ratio at the end of the consolidated second quarter under review decreased by 0.8 point compared with the end of the previous consolidated fiscal year to 72.6%.

[2] Cash Flow Status

Cash and cash equivalents as of the end of the consolidated second quarter under review decreased by 530 million yen to 4,764 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 1,580 million yen (increased in cash flow provided by 607 million yen from the same consolidated quarter of the previous year). Income before income taxes was 789 million yen, and notes and accounts receivable-trade decreased by 398 million yen, and advances received increased by 329 million yen.

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

Net cash used in investing activities was 1,763 million yen (increase in cash flow used by 981 million yen from the same consolidated quarter of the previous year), mainly for the disbursements to time deposits of 1,700 million yen.

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

Net cash used in financing activities was 224 million yen (the same amount as the 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, 2016 that were announced in the "Financial Results for the Fiscal Year Ended October 31, 2015 [Japan GAAP] (Consolidated)" released on December 9, 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.

(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:

Beginning from the first quarter consolidated accounting period, the Company has applied the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan Statement No. 21), the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No. 22) and the *Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Statement No. 7), and has changed the presentation of "Net income" and the presentation from "Minority interests" to "Non-controlling interests". To reflect this change in reporting method, the Company has made reclassifications to its quarterly consolidated financial statements and consolidated financial statements for the second quarter of the prior consolidated fiscal year and the prior consolidated fiscal year.

(4) Additional information

(Effect of revisions to the corporate tax rate)

The Act for Partial Revision of the Income Tax Act Etc. (Act No. 15 of 2016) and the Act for Partial Revision of the Local Tax Act (Act No. 13 of 2016) was enacted in the Diet session on March 29, 2016, and Japan's corporate tax rate and business tax rate have changed in the consolidated fiscal year beginning on or after April 1, 2016.

In conjunction with this change, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be revised from 32.26% applied in the past to 30.86% for temporary differences expected to be eliminated in the consolidated fiscal years that begin on November 1, 2016, and on November 1, 2017, and to 30.62% for temporary differences expected to be eliminated in the consolidated fiscal years that begin from November 1, 2018.

As a result, deferred tax liabilities (the amount after deducting deferred tax assets) were reduced by 60,188,000 yen. In addition, income taxes-deferred were reduced by 56,375,000 yen, valuation difference on available-for-sale securities increased by 4,275,000 yen, deferred losses on hedges increased by 27,000 yen, and adjustment on net defined benefit was reduced by 490,000 yen, all were recorded in the consolidated fiscal year.

3. Quarterly Consolidated Financial Statement

(1) Quarterly Consolidated Balance Sheets (Second Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2015)	End of Second Quarter (April 30, 2016)
Current Assets		
Cash and Deposits	5,295,280	6,464,286
Notes and Accounts Receivable-Trade	14,575,274	14,068,985
Merchandise and Finished Goods	2,883,186	3,072,235
Work in Process	1,428,858	1,193,518
Raw Materials and Supplies	814,139	830,757
Deferred Tax Assets	415,636	433,404
Others	170,571	251,167
Allowance for Doubtful Accounts	-5,309	-7,888
Total Current Assets	25,577,638	26,306,466
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	4,414,855	4,400,004
Accumulated Depreciation	-1,554,623	-1,609,826
Buildings and Structures, Net	2,860,232	2,790,178
Machinery, Equipment and Vehicles	4,105,001	4,001,890
Accumulated Depreciation	-3,469,389	-3,426,147
Machinery, Equipment and Vehicles, Net	635,612	575,743
Land	1,934,976	1,934,499
Others	1,094,601	1,075,152
Accumulated Depreciation	-1,004,257	-993,904
Others, Net	90,343	81,248
Total Property, Plant and Equipment	5,521,164	5,381,669
Intangible Assets	362,505	327,650
Investments and Other Assets		
Investment Securities	1,189,880	1,018,573
Guarantee Deposits	83,645	94,285
Net Defined Benefit Assets	1,506,899	1,527,391
Others	122,346	115,589
Allowance for Doubtful Accounts	-22,775	-23,851
Total Investments and Other Assets	2,879,996	2,731,989
Total Noncurrent Assets	8,763,665	8,441,309
Total Assets	34,341,304	34,747,775

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2015)	End of Second Quarter (April 30, 2016)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	5,836,44	5,843,630
Accounts Payable-Others	557,504	515,511
Income Taxes Payable	182,965	377,931
Advances Received	105,602	430,141
Provision for Bonuses	701,392	581,036
Provision for Directors' Bonuses	42,374	17,670
Allowance for Product Warranty	122,478	119,140
Others	269,841	409,638
Total Current Liabilities	7,818,605	8,294,702
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	54,052	57,945
Deferred Tax Liabilities	1,262,702	1,145,917
Total Noncurrent Liabilities	1,322,214	1,209,322
Total Liabilities	9,140,820	9,504,024
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	22,313,936	22,595,229
Treasury Stock	-363,591	-363,591
Total Shareholders' Equity	24,494,965	24,776,258
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	330,518	210,464
Deferred Gains or Losses on Hedges	748	-11,166
Foreign Currency Translation Adjustment	415,072	288,952
Total Adjustment on Net Defined Benefit	-40,820	-20,758
Total Accumulated Other Comprehensive Income	705,518	467,492
Total Net Assets	25,200,484	25,243,750
Total Liabilities and Net Assets	34,341,304	34,747,775

(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, 2015	Second Quarter Ended April 30, 2016
Net Sales	20,086,760	19,847,846
Cost of Sales	15,891,770	15,863,415
Gross Profit	4,194,989	3,984,431
Selling, General and Administrative Expenses	3,260,339	3,065,857
Operating Income	934,650	918,573
Non-Operating Income		
Interest Income	8,615	3,263
Dividends Income	10,457	10,166
Rent Income	3,516	3,415
Foreign Exchange Gains	197,408	-
Others	21,605	11,991
Total Non-Operating Income	241,603	28,837
Non-Operating Expenses		
Interest Expenses	758	63
Commission Paid	7,987	7,995
Sales Discount	2,993	2,830
Foreign Exchange Losses	-	144,664
Others	2,968	2,536
Total Non-Operating Expenses	14,709	158,090
Ordinary Income	1,161,544	789,321
Extraordinary Income		
Gain on Sales of Noncurrent Assets	27,208	-
Gain on Sales of Investment Securities	58,703	-
Total Extraordinary Income	85,911	-
Income before Income Taxes	1,247,456	789,321
Income Taxes-Current	274,921	362,699
Income Taxes-Deferred	49,491	-79,188
Total Income Taxes	324,412	283,511
Net Income	923,043	505,809
Net Income Attributable to Owners of the Parent	923,043	505,809

Quarterly Consolidated Statements of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2015	Second Quarter Ended April 30, 2016
Net Income	923,043	505,809
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	87,725	-120,053
Deferred Gains or Losses (-) on Hedges	-1,349	-11,915
Foreign Currency Translation Adjustment	168,631	-126,119
Net Defined Benefit	-2,199	20,062
Total Other Comprehensive Income	252,808	-238,026
Comprehensive Income	1,175,852	267,783
(Breakdown)		
Comprehensive Income attributable to Owners of the Parent	1,175,852	267,783

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of Yen)

	Second Quarter Ended April 30, 2015	Second Quarter Ended April 30, 2016
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes	1,247,456	789,321
Depreciation and Amortization	216,113	199,744
Increase (Decrease) in Provision for Bonuses	(128,041)	(118,697)
Increase (Decrease) in Provision for Directors' Bonuses	(13,260)	(24,704)
Increase (Decrease) in Allowance for Product Warranty	(93,373)	(3,337)
Increase (Decrease) in Net Defined Benefit Liability	8,959	4,227
Decrease (Increase) in Net Defined Benefit Asset	(32,270)	(20,492)
Increase (Decrease) in Provision for Directors' Retirement Benefits	(13,220)	-
Increase (Decrease) in Allowance for Doubtful Accounts	(1,905)	3,654
Interests and Dividends Income	(19,073)	(13,430)
Interest Expenses	758	63
Foreign Exchange Losses (Gains)	(29,471)	157,468
Loss (Gain) on Sales of Investment Securities	(58,703)	-
Loss (Gain) on Sales of Noncurrent Assets	(27,208)	-
Decrease (Increase) in Notes and Accounts Receivable-Trade	1,544,809	398,929
Decrease (Increase) in Inventories	(369,661)	(66,849)
Increase (Decrease) in Notes and Accounts Payable-Trade	(386,799)	67,652
Increase (Decrease) in Accounts Payable-Others	66,311	(40,370)
Increase (Decrease) in Advances Received	(364,336)	329,270
Others, Net	(57,337)	90,585
Sub total	1,489,747	1,753,037
Interests and Dividends Income Received	20,317	12,772
Interest Expenses Paid	(766)	(71)
Income Taxes Returned (Paid)	(536,109)	(185,050)
Net Cash Provided by (Used in) Operating Activities	973,189	1,580,688

(Thousands of Yen)

	Second Quarter Ended April 30, 2015	Second Quarter Ended April 30, 2016
Net Cash Provided by (Used in) Investment Activities		
Disbursement to Time Deposits	(1,500,000)	(1,700,000)
Proceeds from Withdrawal of Time Deposits	800,000	-
Purchase of Property, Plant and Equipment	(229,331)	(23,758)
Proceeds from Sales of Property, Plant and Equipment	29,862	-
Purchase of Intangible Fixed Assets	(25,364)	(20,597)
Purchase of Investment Securities	(8,135)	(8,569)
Proceeds from Sales of Investment Securities	156,049	-
Payments of Loans Receivable	(1,710)	(510)
Collection of Loans Receivable	2,269	2,567
Guarantee Deposits (Increase)	(4,449)	(11,894)
Others, Net	(1,150)	(323)
Net Cash Provided by (Used in) Investment Activities	(781,962)	(1,763,086)
Net Cash Provided by (Used in) Financing Activities		
Cash Dividends Paid	(224,516)	(224,516)
Net Cash Provided by (Used in) Financing Activities	(224,516)	(224,516)
Cash and Cash Equivalents		
Effect of Exchange Rate Change on Cash and Cash Equivalents	214,847	(124,078)
Net Increase (Decrease) in Cash and Cash Equivalents	181,557	(530,993)
Cash and Cash Equivalents at Beginning of Period	5,661,622	5,295,280
Cash and Cash Equivalents at End of This Quarter	5,843,179	4,764,286

(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, 2015

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.

Second Quarter Ended April 30, 2016

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	5,002,381	14,845,465	19,847,846	19,847,846
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,002,381	14,845,465	19,847,846	19,847,846
Segment Profit	117,492	801,081	918,573	918,573

(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, 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, Thailand and India
 - (2) Other regions: America and Egypt
3. Overseas net sales are sales of our company and subsidiaries made in countries and regions other than Japan.

Second Quarter Ended April 30, 2016

(Thousands of Yen)

	Asia	Other Regions	Total
I. Overseas Net Sales	2,478,070	545,387	3,023,458
II. Consolidated Net Sales	-	-	19,847,846
III. Ratio of Overseas Net Sales to Consolidated Net Sales (%)	12.5	2.7	15.2

(Notes)

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