

Financial Results for the Fiscal Year Ended October 31, 2017 [Japan GAAP] (Consolidated)

Date: December 7, 2017
 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 of Annual Shareholders Meeting: January 30, 2018
 Date of Dividend Payment: January 31, 2018
 Date of Financial Statement: January 30, 2018
 Preparation of Supplementary Explanatory Materials for Annual Operating Results: Yes
 Briefing Session for Annual Operating Results: Yes (for analysts and 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, 2017

(1) Results of Operation (Consolidated)

(Percent: change from the previous year)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Year Ended October 31, 2017	41,093	4.9	2,198	11.6	2,219	24.7
Year Ended October 31, 2016	39,180	-0.4	1,970	42.0	1,780	4.5

(Note) Comprehensive income

Fiscal year ended October 31, 2017: 2,282 million yen (440.3%)

Fiscal year ended October 31, 2016: 422 million yen (-65.9%)

	Net Income Attributable to Owners of the Parent		Net Income per Share	Fully Diluted Net Income per Share	Return on Equity	Return on Assets	Return on Sales
	(Millions of Yen)	(Percent)	(Yen)	(Yen)	(Percent)	(Percent)	(Percent)
Year Ended October 31, 2017	1,503	55.1	150. ⁶⁴	-	5.8	6.2	5.3
Year Ended October 31, 2016	968	-5.8	97. ¹⁰	-	3.8	5.1	5.0

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

Fiscal year ended October 31, 2017: None

Fiscal year ended October 31, 2016: 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)
Year Ended October 31, 2017	36,580	27,008	73.8	2,706. ⁷²
Year Ended October 31, 2016	34,792	25,173	72.4	2,522. ⁸¹

(Reference) Net assets

Fiscal year ended October 31, 2017: 27,008 million yen

Fiscal year ended October 31, 2016: 25,173 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
Year Ended October 31, 2017	587	(392)	(449)	7,893
Year Ended October 31, 2016	3,744	(255)	(449)	8,056

2. Dividend Status

	Dividend per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	End of Fiscal Year	Total
Year Ending October 31, 2016	-	22.50	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2017	-	22.50	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2018 (Prospect)	-	22.50	-	22. ⁵⁰	45. ⁰⁰

	Total Dividend (Millions of Yen)	Dividend Payout Ratio (Consolidated) (Percent)	Dividend on Equity Ratio (Consolidated) (Percent)
Year Ending October 31, 2016	449	46.3	1.8
Year Ending October 31, 2017	449	29.9	1.7
Year Ending October 31, 2018 (Prospect)		31.4	

3. Forecast for the Year Ending October 31, 2018 (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)
Full Business Year	42,800	4.2	2,100	-4.5	2,100	-5.4

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	(Yen)
Full Business Year	1,430	-4.9	143. ³¹

(Note) Since the company performance objectives are set annually, forecast for the consolidated second quarter period is omitted.

Notes

(1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes in the scope of consolidation): None

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

1) Change due to revision of accounting standard: Yes

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

For details, please refer to (Changes in accounting principles) of (5) [Notes for Consolidated Financial Statements] of 3. [Consolidated Financial Statements and Main Notes] on page 14.

(3) Number of outstanding shares (Common stock)

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

At October 31, 2017: 10,533,200 shares At October 31, 2016: 10,533,200 shares

2) Number of treasury stocks at year-end

At October 31, 2017: 554,817 shares At October 31, 2016: 554,667 shares

3) Number of average shares

At October 31, 2017: 9,978,419 shares At October 31, 2016: 9,978,533 shares

*This financial report is exempt from audit procedures.

*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 the assumptions that we believe are reasonable. Actual results could differ materially due to various factors. For the operating results forecast, refer to (1) [Overview Concerning Operating Results] of 1. [Overview of Operating Results, etc.] on page 2.

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1. Overview of Operating Results, etc.

(1) Overview Concerning Operating Results

(General condition of the current consolidated fiscal year)

[1] Overview of general operating results

During the consolidated fiscal year ended October 2017, Japan's economy maintained a steady recovery trend, backed by rising exports that were powered by the economic recovery overseas, increasing momentum in capital investment that was driven by improved corporate earnings, and a gradual rebound in personal consumption. The steady pace of expansion continued overseas as well, despite a modest slowdown in China's economy, against the backdrop of sustained brisk economic activity in Asia overall and the ongoing expansionary trend of the US economy.

Given these circumstances, full-year net sales for the Tomoe Engineering Group increased 4.9% from the previous consolidated fiscal year to 41,093 million yen because of increasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 2,198 million yen, 11.6% up from the previous consolidated fiscal year because of higher income in both the Machinery & Equipment Business and Chemical Products Business, while ordinary income came to 2,219 million yen, 24.7% up from the previous consolidated fiscal year because foreign exchange losses were lower. Net income attributable to owners of the parent was 1,503 million yen, 55.1% up from the previous consolidated fiscal year because of no impairment loss for consolidated subsidiary fixed assets recorded in the previous fiscal year.

[2] Summary by business segment

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales for both domestic public sector demand and domestic private sector demand in general decreased, but on the other hand net sales of machinery, components and repair services for overseas markets increased. As a result, consolidated net sales for the fiscal year were 10,241 million yen, 0.6% up compared with the previous fiscal year.

From an earnings aspect, operating income was 528 million yen, 31.0% up from the previous consolidated fiscal year, mainly because of increased profit from machinery, components and repair services for overseas markets, and improved profitability in sales for domestic public sector demand.

(Chemical Products Business)

In the Chemical Products Business, net sales of UV curing resin and flame retardant in the fine chemicals sector decreased, but on the other hand net sales of materials for housing and construction applications in the industrial materials sector and net sales of transport materials for semiconductor manufacturing applications in the electronics materials sector were robust, and the Shenzhen plastic compounding business exhibited a recovery trend. As a result, consolidated net sales for the fiscal year were 30,851 million yen, 6.4% up from the previous consolidated fiscal year.

With respect to earnings, operating income was 1,670 million yen, 6.6% up from the previous consolidated fiscal year despite sluggish performance in the fine chemicals, advanced materials, and electronics materials sectors. In addition to excellent conditions in the industrial materials sector, earnings were supported by the recovery of the plastic compounding business at our Hong Kong office and in Shenzhen, China.

[3] Outlook for the next fiscal year (November 1, 2017 - October 31, 2018)

In the consolidated fiscal year ending October 2018, Japan's economy is expected to stay on its recovery track, as exports maintain their upward course, capital investment remains robust because of the brightening corporate earnings environment and other factors, and personal consumption appears set to continue growing gradually as well. Internationally, the steady pace of growth is expected to continue, despite China's economy following a slow deceleration tendency, as the expansionary trend of the US economy is forecast to continue.

Given such conditions, in the Machinery & Equipment Business we forecast sales of equipment for domestic public sector demand in anticipation of large-scale projects, sales for domestic private sector demand to meet expected growth in components and repair services sales, and overseas sales, centered on Asia and North America, will all be higher. Consequently, we project consolidated net sales of 11,470 million yen, 12.0% up compared with the previous fiscal year, and operating income of 550 million yen, or 4.1% up from the previous fiscal year. In the Chemical Products Business, although sales of commercial products for wire bonding devices and semiconductor fabrication equipment in the electronics materials sector will be sluggish, sales of materials for automobile and housing and construction applications in the industrial materials sector, and sales of ceramics products for semiconductor fabrication equipment in the advanced materials sector, are expected to grow, as are sales in the plastic compounding business in Shenzhen, China. Based on this we expect consolidated net sales to be 31,330 million yen, 1.6% up compared with the previous fiscal year. On the other hand, we expect operating income to come to 1,550 million yen, 7.2% down compared with the previous fiscal year, reflecting the impact of an anticipated decline in sales in the electronics materials sector and the disappearance of some commercial products in the fine chemicals sector.

As a result of these efforts, for the entire Tomoe Engineering Group in the consolidated fiscal year ending October 2018, we project net sales to grow by 4.2% to 42,800 million yen, operating income to decrease by 4.5% to 2,100 million yen, ordinary income to decrease by 5.4% to 2,100 million yen, and net income attributable to the shareholders of the parent company to decrease by 4.9% to 1,430 million yen because we do not anticipate any special factors, including extraordinary income or losses.

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) Overview Concerning Financial Condition

[1] Summary of Assets, Liabilities, and Net Assets

Assets at the end of the current consolidated fiscal year were 36,580 million yen, up 1,788 million or 5.1% from the balance at the end of the previous consolidated fiscal year, reflecting decrease in cash and deposits, and increase in notes and accounts receivable-trade, inventory and asset for retirement benefits.

Liabilities were 9,572 million yen, down 45 million yen or 0.5% from the end of the previous consolidated fiscal year, mainly because of lower income taxes payable and advances received, and of increased deferred tax liabilities and payables.

Net assets were 27,008 million yen, 1,834 million yen or 7.3% up from the end of the previous consolidated fiscal year. This mainly reflected an increase of retained earnings reported at the current consolidated net income.

As a result of the above changes, the equity ratio at the end of the consolidated fiscal year increased by 1.4 point compared with the end of the previous consolidated fiscal year to 73.8%.

[2] Summary of Cash Flow

Balance of cash and cash equivalent as of the end of the current consolidated fiscal year decreased by 162 million yen to 7,893 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 587 million yen (3,744 million yen provided during the previous consolidated fiscal year) reflecting increase in notes and accounts receivable-trade by 1,016 million yen, income taxes payment used in 1,049 million yen, and income before income taxes and minority interests provided by 2,227 million yen.

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

Because purchases of plant, property and equipment were 181 million yen, and increased guarantee deposits were 201 million yen, the net amount of cash used in investing activities was 392 million yen (255 million yen used during the previous consolidated fiscal year).

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

Net cash used in financing activities was 449 million yen (449 million yen used during the previous consolidated fiscal year) mainly for the payment of cash dividends in 449 million yen.

The trends in cash flow indices are as follows:

Trends in cash flow indices

	Year Ended October 31, 2013	Year Ended October 31, 2014	Year Ended October 31, 2015	Year Ended October 31, 2016	Year Ended October 31, 2017
Equity Ratio (Percent)	69.8	70.8	73.4	72.4	73.8
Equity Ratio Based on Market Value (Percent)	46.6	51.7	44.3	44.3	59.1
Debt-repayment to Cash Flow Ratio (Years)	1.7	0.2	-	0.0	0.2
Interest Coverage Ratio (Percent)	35.6	74.5	-	735.6	28.3

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.
5. The debt-repayment to cash flow ratio and interest coverage ratio for the year ended October 31, 2016 are not shown because they were negative.

(3) Basic Policy for Profit Sharing and Dividends for Fiscal 2017 and 2018

As its basic policy, 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, we plan to pay a dividend of 45 yen per share, including the dividend of 22.5 yen per share for the consolidated fiscal year ending on October 31, 2017, and the interim dividend of 22.5 yen per share.

For the dividend for the next consolidated fiscal year, we plan to pay 45 yen per share (including an interim dividend per share of 22.5 yen), based on consideration of the outlook for consolidated operating results.

2. Basic Approach to the Selection of Accounting Standards

At the present time the Tomoe Engineering Group has adopted Japan GAAP, based on factors such as comparability between firms, and the Group’s policy concerning the application of IFRS will be to respond while referring to outside trends and other considerations.

3. Consolidated Financial Statements and Main Notes

(1) Balance Sheets

(Thousands of Yen)

	Year Ended October 31, 2016	Year Ended October 31, 2017
Assets		
Current Assets		
Cash and Deposits	8,056,223	7,893,336
Notes and Accounts Receivable-Trade	11,618,030	12,423,898
Electronically Recorded Monetary Claims	1,702,590	1,823,085
Merchandise and Finished Goods	2,746,735	3,045,330
Work in Process	1,166,982	1,121,215
Raw Materials and Supplies	595,198	626,777
Deferred Tax Assets	500,420	551,335
Others	282,133	169,602
Allowance for Doubtful Accounts	-4,645	-5,793
Total Current Assets	26,663,670	27,648,788
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	4,316,576	4,447,596
Accumulated Depreciation	-1,592,835	-1,714,451
Buildings and Structures, Net	2,723,740	2,733,144
Machinery, Equipment and Vehicles	3,659,243	3,753,847
Accumulated Depreciation	-3,215,574	-3,339,171
Machinery, Equipment and Vehicles, Net	443,669	414,676
Land	1,931,071	1,931,034
Construction in progress	96,763	—
Others	983,261	999,146
Accumulated Depreciation	-919,694	-914,964
Others, Net	63,567	84,181
Total Property, Plant and Equipment	5,258,812	5,163,038
Intangible Assets	304,807	186,343
Investments and Other Assets		
Investment Securities	1,149,211	1,520,735
Guarantee Deposits	89,809	293,537
Net Defined Benefit Assets	1,242,576	1,693,578
Others	110,849	101,325
Allowance for Doubtful Accounts	-27,664	-26,386
Total Investments and Other Assets	2,564,783	3,582,791
Total Noncurrent Assets	8,128,402	8,932,172
Total Assets	34,792,072	36,580,961

(Thousands of Yen)

	Year Ended October 31, 2016	Year Ended October 31, 2017
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	3,667,658	4,090,419
Electronically Recorded Monetary Debt	1,891,465	1,665,615
Accounts Payable-Others	558,442	520,046
Income Taxes Payable	632,403	437,430
Advances Received	333,999	57,481
Provision for Bonuses	802,914	982,841
Provision for Directors' Bonuses	50,352	64,678
Allowance for Product Warranty	107,349	185,258
Others	424,583	189,552
Total Current Liabilities	8,469,170	8,193,325
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	56,135	57,498
Deferred Tax Liabilities	1,087,402	1,315,959
Total Noncurrent Liabilities	1,148,998	1,378,918
Total Liabilities	9,618,169	9,572,243
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	22,833,826	23,889,646
Treasury Stock	-363,591	-363,876
Total Shareholders' Equity	25,014,855	26,070,389
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	299,418	551,039
Deferred Gains or Losses on Hedges	-17,813	2,508
Foreign Currency Translation Adjustment	90,213	214,564
Total Adjustment on Net Defined Benefit	-212,770	170,216
Total Accumulated Other Comprehensive Income	159,048	938,328
Total Net Assets	25,173,903	27,008,718
Total Liabilities and Net Assets	34,792,072	36,580,961

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of Yen)

	Year Ended October 31, 2016	Year Ended October 31, 2017
Net Sales	39,180,324	41,093,188
Cost of Sales	30,903,454	32,216,513
Gross Profit	8,276,870	8,876,674
Selling, General and Administrative Expenses	6,306,828	6,678,304
Operating Income	1,970,041	2,198,369
Non-Operating Income		
Interest income	5,842	1,301
Dividends Income	24,696	26,771
Rent Income	6,831	6,831
Foreign Exchange Gains	-	8,380
Others	25,876	22,859
Total Non-Operating Income	63,247	66,144
Non-Operating Expenses		
Interest Expenses	5,089	20,726
Commission Paid	9,508	9,000
Sales Discount	5,829	6,133
Foreign Exchange Losses	223,031	-
Others	9,706	9,499
Total Non-Operating Expenses	253,164	45,359
Ordinary Income	1,780,124	2,219,155
Extraordinary Income		
Gain on Sales of Investment Securities	4,510	8,524
Total Extraordinary Income	4,510	8,524
Extraordinary Losses		
Loss on Impairment	101,908	-
Loss on Sales of Investment Securities	1,377	-
Total Extraordinary Losses	103,286	-
Income before Income Taxes	1,681,348	2,227,679
Income Taxes-Current	868,544	830,225
Income Taxes-Deferred	-156,119	-105,724
Total Income Taxes	712,424	724,500
Net Income	968,923	1,503,178
Net Income Attributable to Owners of the Parent	968,923	1,503,178

Consolidated Statements of Comprehensive Income

(Thousands of Yen)

	Year Ended October 31, 2016	Year Ended October 31, 2017
Net Income	968,923	1,503,178
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-31,099	251,620
Deferred Gains or Losses on Hedges	-18,562	20,321
Foreign Currency Translation Adjustment	-324,858	124,351
Adjustment on Net Defined Benefit	-171,950	382,987
Total Other Comprehensive Income	-546,470	779,280
Comprehensive Income	422,452	2,282,459
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	422,452	2,282,459

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous Consolidated Fiscal Year (Year Ended October 31, 2016)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	22,313,936	-363,591	24,494,965
Cumulative Effect of Accounting Changes					-
Surplus Reflecting Accounting Changes	1,061,210	1,483,410	22,313,936	-363,591	24,494,965
Changes during This Fiscal Year					
Cash Dividend Paid			-449,033		-449,033
Net Income Attributable to Owners of the Parent			968,923		968,923
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	-	-	519,889	-	519,889
Surplus during This Fiscal Year	1,061,210	1,483,410	22,833,826	-363,591	25,014,855

	Accumulated Other Comprehensive Income					Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Other Comprehensive Income	
Surplus during Previous Fiscal Year	330,518	748	415,072	-40,820	705,518	25,200,484
Cumulative Effect of Accounting Changes						-
Surplus Reflecting Accounting Changes	330,518	748	415,072	-40,820	705,518	25,200,484
Changes during This Fiscal Year						
Cash Dividend Paid						-449,033
Net Income Attributable to Owners of the Parent						968,923
Total (Net) Amount Changed (Except Shareholders' Equity)	-31,099	-18,562	-324,858	-171,950	-546,470	-546,470
Total Amount Changed	-31,099	-18,562	-324,858	-171,950	-546,470	-26,581
Surplus during This Fiscal Year	299,418	-17,813	90,213	-212,770	159,048	25,173,903

Current Consolidated Fiscal Year (Year Ended October 31, 2017)

(Thousands of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Issued Shares Reacquired	Total Net Assets
Surplus during Previous Fiscal Year	1,061,210	1,483,410	22,833,826	-363,591	25,014,855
Cumulative Effect of Accounting Changes			1,671		1,671
Surplus Reflecting Accounting Changes	1,061,210	1,483,410	22,835,498	-363,591	25,016,527
Changes during This Fiscal Year					
Cash Dividend Paid			-449,030		-449,030
Net Income Attributable to Owners of the Parent			1,503,178		1,503,178
Acquisition of Treasury Stock				-285	-285
Total (Net) Amount Changed (Except Shareholders' Equity)					
Total Amount Changed	-	-	1,054,148	-285	1,053,862
Surplus during This Fiscal Year	1,061,210	1,483,410	23,889,646	-363,876	26,070,389

	Accumulated Other Comprehensive Income					Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Foreign Currency Translation Adjustment	Total Net Defined Benefit	Total Other Comprehensive Income	
Surplus during Previous Fiscal Year	299,418	-17,813	90,213	-212,770	159,048	25,173,903
Cumulative Effect of Accounting Changes						1,671
Surplus Reflecting Accounting Changes	299,418	-17,813	90,213	-212,770	159,048	25,175,575
Changes during This Fiscal Year						
Cash Dividend Paid						-449,030
Net Income Attributable to Owners of the Parent						1,503,178
Acquisition of Treasury Stock						-285
Total (Net) Amount Changed (Except Shareholders' Equity)	251,620	20,321	124,351	382,987	779,280	779,280
Total Amount Changed	251,620	20,321	124,351	382,987	779,280	1,833,143
Surplus during This Fiscal Year	551,039	2,508	214,564	170,216	938,328	27,008,718

(4) Consolidated Statements of Cash Flows

(Thousands of Yen)

	Year Ended October 31, 2016	Year Ended October 31, 2017
Net Cash Provided by (Used in) Operating Activities		
Income before Income Taxes and Minority Interests	1,681,348	2,227,679
Depreciation and Amortization	400,479	416,872
Increase (Decrease) in Provision for Bonuses	106,407	177,069
Increase (Decrease) in Provision for Directors' Bonuses	7,978	14,326
Increase (Decrease) in Allowance for Product Warranty	(15,128)	77,908
Increase (Decrease) in Net Defined Benefit Liability	2,953	870
Decrease (Increase) in Net Defined Benefit Asset	(42,773)	(24,155)
Increase (Decrease) in Allowance for Doubtful Accounts	4,225	(129)
Interests and Dividends Income	(30,539)	(28,073)
Interest Expenses	5,089	20,726
Foreign Exchange Losses (Gains)	188,234	49,918
Loss (Gain) on Sales of Investment Securities	(3,132)	(8,524)
Loss on Impairment	101,908	-
Decrease (Increase) in Notes and Accounts Receivable-Trade	1,124,173	(1,016,706)
Decrease (Increase) in Inventories	467,794	(285,845)
Increase (Decrease) in Notes and Accounts Payable-Trade	(186,024)	250,189
Increase (Decrease) in Accounts Payable-Others	3,243	(31,217)
Increase (Decrease) in Advances Received	242,526	(290,874)
Others, Net	95,713	79,728
Sub total	4,154,480	1,629,763
Interests and Dividends Income Received	31,173	28,026
Interest Expenses Paid	(5,089)	(20,726)
Income Taxes Paid	(436,502)	(1,049,876)
Net Cash Provided by (Used in) Operating Activities	3,744,062	587,187

(Thousands of Yen)

	Year Ended October 31, 2016	Year Ended October 31, 2017
Net Cash Provided by (Used in) Investment Activities		
Disbursement to Time Deposits	(3,400,000)	(4,900,000)
Proceeds from Withdrawal of Time Deposits	3,400,000	4,900,000
Purchase of Property, Plant and Equipment	(171,539)	(181,883)
Proceeds from Sales of Property, Plant and Equipment	-	1,638
Purchase of Intangible Fixed Assets	(67,495)	(4,235)
Purchase of Investment Securities	(18,178)	(19,683)
Proceeds from Sales of Investment Securities	9,702	15,244
Payments of Loans Receivable	(870)	(2,020)
Collection of Loans Receivable	3,217	1,860
Guarantee Deposits (Increase)	(9,281)	(201,193)
Others, Net	(1,424)	(2,294)
Net Cash Provided by (Used in) Investment Activities	(255,870)	(392,566)
Net Cash Provided by (Used in) Financing Activities		
Acquisition of Treasury Stock	-	(285)
Cash Dividends Paid	(449,033)	(449,030)
Net Cash Provided by (Used in) Financing Activities	(449,033)	(449,316)
Cash and Cash Equivalents		
Effect of Exchange Rate Change on Cash and Cash Equivalents	(278,215)	91,809
Net Increase (Decrease) in Cash and Cash Equivalents	2,760,942	(162,886)
Cash and Cash Equivalents at Beginning of Period	5,295,280	8,056,223
Cash and Cash Equivalents at End of This Fiscal Year	8,056,223	7,893,336

(5) Notes for Consolidated Financial Statements

(Notes for premise of going concern)

There are no pertinent matters to report.

(Changes in accounting principles)

Beginning from the consolidated fiscal year ending on October 31, 2017, the Company has applied the *Implementation Guidance on Recoverability of Deferred Tax Assets* (Accounting Standards Board of Japan Financial Accounting Standards Implementation Guidance No. 26; referred to below as the *Recoverability Implementation Guidance*), and has partially revised the method of accounting treatment concerning the recoverability of deferred tax assets.

In applying the *Recoverability Implementation Guidance*, the Company has added the difference between the amount of deferred tax assets and deferred tax liabilities when it applied the provisions corresponding to paragraph 49 (3) ① through ③ of the *Recoverability Implementation Guidance* at the beginning of the consolidated fiscal year ending on October 31, 2017, and the amount of deferred tax assets and deferred tax liabilities at the end of the prior consolidated fiscal year, to retained earnings at the beginning of the consolidated fiscal year ending on October 31, 2017, in accordance with the transitional treatment provided in paragraph (4) 49 of the *Recoverability Implementation Guidance*.

As a result, deferred tax liabilities decreased by 1,671,000 yen and retained earnings increased by 1,671,000 yen.

(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, 2016)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales					
Sales to Unaffiliated Customers	10,178,070	29,002,253	39,180,324	-	39,180,324
Internal Sales Among Segments or Amount Transferred	-	-	-	-	-
Total	10,178,070	29,002,253	39,180,324	-	39,180,324
Segment Income	403,271	1,566,770	1,970,041	-	1,970,041
Segment Assets	10,094,483	15,491,154	25,585,638	9,206,434	34,792,072
Other Items					
Depreciation & Amortization	305,050	95,429	400,479	-	400,479
Increase in Property, Plant & Equipment and Intangible Assets	124,823	120,786	245,610	-	245,610

(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, 2017)

(Thousands of Yen)

	Reporting segment			Amount of Adjustment Note 1	Consolidated Financial Statements Reported Amount
	Machinery & Equipment Business	Chemical Products Business	Total		
Sales to Unaffiliated Customers	10,241,914	30,851,273	41,093,188	-	41,093,188
Internal Sales Among Segments or Amount Transferred	-	-	-	-	-
Total	10,241,914	30,851,273	41,093,188	-	41,093,188
Segment Income	528,306	1,670,063	2,198,369	-	2,198,369
Segment Assets	10,213,195	16,952,694	27,165,889	9,415,072	36,580,961
Other Items					
Depreciation & Amortization	314,283	102,589	416,872	-	416,872
Increase in Property, Plant & Equipment and Intangible Assets	123,754	68,568	192,322	-	192,322

(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, 2016)

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
32,083,421	6,100,561	996,340	39,180,324

(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
4,976,297	136,315	146,200	5,258,812

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, 2017)

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
32,405,056	7,088,888	1,599,242	41,093,188

(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
4,858,891	155,695	148,451	5,163,038

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)

Previous Consolidated Fiscal Year (Year Ended October 31, 2016) (Thousands of Yen)

	Reported segments			Elimination at the Company	Total
	Machinery & Equipment Business	Chemical Products Business	Subtotal		
Impairment loss	1,505	100,403	101,908	-	101,908

Current Consolidated Fiscal Year (Year Ended October 31, 2017)

There are no pertinent matters to report.

(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)

	Year Ended October 31, 2016	Year Ended October 31, 2017
Net Asset per Share	¥2,522. ⁸¹	¥2,706. ⁷²
Net Income per Share	¥97. ¹⁰	¥150. ⁶⁴

(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:

	Year Ended October 31, 2016	Year Ended October 31, 2017
Net Income for this Fiscal Year (thousands of yen)	968,923	1,503,178
Net Income for Common Stock (thousands of yen)	968,923	1,503,178
Average number of Common Stock during the Fiscal Year	9,978,533	9,978,419

(Note3) Calculation basis for net asset per share are as follows:

	Year Ended October 31, 2016	Year Ended October 31, 2017
Total for Net Asset in Consolidated Balance Sheet (thousands of yen)	25,173,903	27,008,718
Net Asset for Common Stock (thousands of yen)	25,173,903	27,008,718
Number of Common Stock used for calculation of Net Assets per Share (share)	9,978,533	9,978,383

(Significant subsequent events)

None

4. Other Notes

(1) Changes of Officers (effective January 30, 2018)

1) Director scheduled to be appointed (excluding the directors who were appointed as a member of Audit & Supervisory Committee, [The same applies hereinafter.])

Name	New Position	Current Position
Tetsuyuki Azuma	Director and Deputy Manager, Chemical Products Div. (in charge of Advanced Materials Dept. and Industrial Materials Dept.), and Manager, Advanced Materials Dept.	Manager, Advanced Materials Dept. of Chemical Products Div.

2) Director scheduled to retire

Name	Current Position
Tetsuo Yamada	Senior Managing Director Chemical Products Div.

3) Directors scheduled to be promoted

Name	New Position	Current Position
Akitomo Tamai	Senior Managing Director Chemical Products Div.	Director and Deputy Manager, Chemical Products Div. (Synthetic Resin and Industrial Materials Dept.)

4) Change of position as a result of the above changes

Name	New Position	Current Position
Akiyoshi Shinoda	Director and Deputy Manager, Chemical Products Div. (in charge of Fine Chemicals Dept., Electronic Materials Dept. and Synthetic Resin Dept.)	Director and Deputy Manager, Chemical Products Div. (in charge of Advanced Materials Dept., Electronic Materials Dept. and Fine Chemicals Dept.)