

Financial Results for the First Quarter Ended January 31, 2018 [Japan GAAP] (Consolidated)

Date: March 1, 2018
 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 9, 2018
 Date for Dividend Payment: Not applicable to this financial quarter
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Not prepared
 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, 2018

(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, 2018	9,517	12.1	373	378.7	374	533.6
Quarter Ended January 31, 2017	8,487	-4.8	77	-28.6	59	-47.2

	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 January 31, 2018	252	-	25. ³⁰	-
Quarter Ended January 31, 2017	-1	-	-0. ¹⁶	-

(Note) Comprehensive income

First Quarter ended January 31, 2018: 341 million yen (41.7%) First Quarter ended January 31, 2017: 240 million yen (—%)

(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, 2018	36,272	27,125	74.8
Year Ended October 31, 2017	36,580	27,008	73.8

(Reference) Net assets

First Quarter ended January 31, 2018: 27,125 million yen Year Ended October 31, 2017: 27,008 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, 2017	-	22. ⁵⁰	-	22. ⁵⁰	45. ⁰⁰
Year Ending October 31, 2018	-				
Year Ending October 31, 2018 (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, 2018 (Consolidated)

	Net 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) 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: None

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(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, 2018: 10,533,200 shares At October 31, 2017: 10,533,200 shares

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

At January 31, 2018: 554,817 shares At October 31, 2017: 554,817 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2018: 9,978,383 shares At January 31, 2017: 9,978,525 shares

*The quarterly earnings report is exempt from the quarterly review procedure.

*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 first quarter year-to-date period, Japan's economy continued on a gradual recovery trend, owing to growth in exports and capital investment that was driven by improved corporate earnings, and a pickup in personal consumption. Overseas economies also remained firm as a whole, in the context of an ongoing expansion of the US economy, the gradual recovery of European economies, and the underlying strength of the Asian economies like China.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated first quarter increased 12.1% from the same period last year to 9,517 million yen because of increasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 373 million yen, 378.7% up from the same period last year because of higher income in both Businesses, while ordinary income came to 374 million yen, 533.6% up from the same period last year because foreign exchange losses were lower. Net income attributable to owners of the parent was shifted to 252 million yen profit from net loss of 1 million yen in the same period last year.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales of components and repair services for domestic public sector demand and net sales of machinery, equipment and works for domestic private sector demand increased, and net sales of machinery, equipment and works for overseas remained steady. As a result, net sales for consolidated first quarter year-to-date period were 1,596 million yen, 31.0% up from the same period last year.

With respect to earnings, operating loss was 94 million yen reduced by 215 million yen from 310 million yen in the same period last year because of increased profits in all fields such as components and repair with high margins, machinery, equipment and works.

(Chemical Products Business)

In the Chemical Products Business, net sales of transport materials for semiconductor manufacturing applications in the electronics materials sector, materials for motor vehicles, housing and construction applications in the industrial materials sector, and UV curing resin in the fine chemicals sector were robust, and net sales of resin based on Hong Kong and the Shenzhen plastic compounding business increased. As a result, net sales of consolidated first quarter year-to-date period were 7,921 million yen, 9.0% up from the same period last year.

With respect to earnings, operating income was driven by the growth in net sales of Hong Kong-based business and the Shenzhen plastic compounding business, in addition to the expanded net sales of the industrial materials which had comparatively high margins, and amounted to 467 million yen, 20.4% up from the same period one year earlier.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 36,272 million yen, down 0.8% or 308 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase of 1,215 million yen in inventory, and a decrease of 1,324 million yen in notes and accounts receivable—trade, and a decrease of 770 million yen in cash and deposits.

Liabilities were 9,147 million yen, down 4.4% or 425 million yen from the end of the previous consolidated fiscal year, mainly because of an increase of 336 million yen in electronically recorded monetary debt, a decrease of 399 million yen in income tax payable, a decrease of 607 million yen in provision for Bonuses.

Net assets stood at 27,125 million yen, 116 million yen or 0.4% up from the end of the previous consolidated fiscal year. This mainly reflected an increase by 27 million yen in retained earnings, an increase of 57 million yen in valuation difference on available-for-sale securities, and an increase of 19 million yen in foreign currency translation adjustment.

As a result of the above changes, the equity ratio at the end of the consolidated first quarter under review increased by 1.0 point compared with the end of the previous consolidated fiscal year to 74.8%.

(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, 2018 that were announced in the “Financial Results for the Fiscal Year Ended October 31, 2017 [Japan GAAP] (Consolidated)” released on December 7, 2017.

2. Quarterly Consolidated Financial Statement

(1) Quarterly Consolidated Balance Sheets (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2017)	End of First Quarter (January 31, 2018)
Current Assets		
Cash and Deposits	7,893,336	7,122,687
Notes and Accounts Receivable-Trade	12,423,898	11,098,937
Electronically Recorded Monetary Claims	1,823,085	2,453,450
Merchandise and Finished Goods	3,045,330	3,365,208
Work in Process	1,121,215	1,779,429
Raw Materials and Supplies	626,777	864,297
Deferred Tax Assets	551,335	444,899
Others	169,602	147,785
Allowance for Doubtful Accounts	-5,793	-3,193
Total Current Assets	27,648,788	27,273,501
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	4,447,596	4,448,436
Accumulated Depreciation	-1,714,451	-1,736,29
Buildings and Structures, Net	2,733,144	2,712,142
Machinery, Equipment and Vehicles	3,753,847	3,725,771
Accumulated Depreciation	-3,339,171	-3,326,898
Machinery, Equipment and Vehicles, Net	414,676	398,872
Land	1,931,034	1,931,051
Construction in progress	—	15,214
Others	999,146	1,011,423
Accumulated Depreciation	-914,964	-925,345
Others, Net	84,181	86,078
Total Property, Plant and Equipment	5,163,038	5,143,359
Intangible Assets	186,343	176,989
Investments and Other Assets		
Investment Securities	1,520,735	1,610,184
Guarantee Deposits	293,537	296,519
Net Defined Benefit Assets	1,693,578	1,699,974
Others	101,325	98,298
Allowance for Doubtful Accounts	-26,386	-26,385
Total Investments and Other Assets	3,582,791	3,678,590
Total Noncurrent Assets	8,932,172	8,998,939
Total Assets	36,580,961	36,272,441

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2017)	End of First Quarter (January 31, 2018)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	4,090,419	4,115,080
Electronically Recorded Monetary Debt	1,665,615	2,001,992
Accounts Payable-Others	520,046	493,842
Income Taxes Payable	437,430	37,720
Advances Received	57,481	230,161
Provision for Bonuses	982,841	375,744
Provision for Directors' Bonuses	64,678	16,548
Allowance for Product Warranty	185,258	161,558
Others	189,552	311,471
Total Current Liabilities	8,193,325	7,744,120
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	57,498	58,027
Deferred Tax Liabilities	1,315,959	1,339,456
Total Noncurrent Liabilities	1,378,918	1,402,944
Total Liabilities	9,572,243	9,147,064
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	23,889,646	23,917,628
Treasury Stock	-363,876	-363,876
Total Shareholders' Equity	26,070,389	26,098,371
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	551,039	608,399
Deferred Gains or Losses on Hedges	2,508	-2,455
Foreign Currency Translation Adjustment	214,564	233,782
Total Adjustment on Net Defined Benefit	170,216	187,276
Total Accumulated Other Comprehensive Income	938,328	1,027,004
Total Net Assets	27,008,718	27,125,376
Total Liabilities and Net Assets	36,580,961	36,272,441

(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, 2017	First Quarter Ended January 31, 2018
Net Sales	8,487,151	9,517,730
Cost of Sales	6,811,659	7,480,483
Gross Profit	1,675,491	2,037,246
Selling, General and Administrative Expenses	1,597,538	1,664,090
Operating Income	77,953	373,155
Non-Operating Income		
Interest Income	271	326
Dividends Income	8,096	9,488
Rent Income	1,707	1,717
Others	4,802	8,117
Total Non-Operating Income	14,878	19,651
Non-Operating Expenses		
Interest Expenses	4,453	7,693
Commission Paid	756	756
Sales Discount	1,465	1,445
Foreign Exchange Losses	26,191	7,210
Others	829	998
Total Non-Operating Expenses	33,696	18,103
Ordinary Income	59,135	374,702
Income before Income Taxes and Minority Interests	59,135	374,702
Income Taxes-Current	2,711	23,639
Income Taxes-Deferred	58,052	98,567
Total Income Taxes	60,763	122,206
Net Income or Net Loss (-)	-1,628	252,495
Net Income or Net Loss (-) Attributable to Owners of the Parent	-1,628	252,495

Quarterly Consolidated Statements of Comprehensive Income (First Quarter)

	First Quarter Ended January 31, 2017	First Quarter Ended January 31, 2018
Net Income or Net Loss (-)	-1,628	252,495
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	90,335	57,360
Deferred Gains or Losses (-) on Hedges	17,187	-4,963
Foreign Currency Translation Adjustment	113,248	19,218
Net Defined Benefit	21,710	17,060
Total Other Comprehensive Income	242,481	88,675
Comprehensive Income	240,852	341,171
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	240,852	341,171

(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, 2017

Information Pertaining to the Amount of Net Sales, Profit or 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	1,218,604	7,268,547	8,487,151	8,487,151
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,218,604	7,268,547	8,487,151	8,487,151
Segment Profit or Loss (-)	-310,641	388,594	77,953	77,953

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

First Quarter Ended January 31, 2018

Information Pertaining to the Amount of Net Sales, Profit or 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	1,596,009	7,921,720	9,517,730	9,517,730
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	1,596,009	7,921,720	9,517,730	9,517,730
Segment Profit or Loss (-)	-94,819	467,975	373,155	373,155

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