

# Financial Results for the First Quarter Ended January 31, 2019 [Japan GAAP] (Consolidated)

Date: March 1, 2019  
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309  
 (URL: [http://www.tomo-e.co.jp/index\\_e.html](http://www.tomo-e.co.jp/index_e.html))  
 Stock exchange listing: 1<sup>st</sup> 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: March 8, 2019  
 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, 2019

(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, 2019	10,160	6.8	587	57.4	594	58.7
Quarter Ended January 31, 2018	9,517	12.1	373	378.7	374	533.6

	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, 2019	390	54.6	39. <sup>12</sup>	-
Quarter Ended January 31, 2018	252	-	25. <sup>30</sup>	-

(Note) Comprehensive income

First Quarter ended January 31, 2019: 314 million yen (-8.0%)    First Quarter ended January 31, 2018: 341 million yen (41.7%)

(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, 2019	36,773	27,945	76.0
Year Ended October 31, 2018	37,331	27,876	74.7

(Reference) Net assets

First Quarter ended January 31, 2019: 27,945 million yen    Year Ended October 31, 2018: 27,876 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, 2018	-	22. <sup>00</sup>	-	24. <sup>00</sup>	47. <sup>00</sup>
Year Ending October 31, 2019	-				
Year Ending October 31, 2019 (Prospect)		23. <sup>00</sup>	-	23. <sup>00</sup>	47. <sup>00</sup>

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

### 3. Forecast for Earnings for the Year Ending October 31, 2019 (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	44,300	4.6	2,300	-3.3	2,300	-1.5

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,500	-0.9	150. <sup>33</sup>

(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, 2019: 10,533,200 shares      At October 31, 2018: 10,533,200 shares

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

At January 31, 2019: 554,861 shares      At October 31, 2018: 554,861 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2019: 9,978,339 shares      At January 31, 2018: 9,978,383 shares

\*The quarterly earnings report is exempt from the quarterly review by certified public accountant or audit firm.

\*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 Quarterly Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast.

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# 1. Qualitative Information on Quarterly Consolidated Operating Results

## (1) Analysis of Operating Results

During the first quarter, Japan's economy maintained its gradual recovery trend. Domestic demand remained steady, as personal consumption remained brisk and capital investment continued to recover, and exports managed a return to growth as well, although the strength of their recovery was weak. Overseas, however, the U.S. economy sustained its steady growth, but Europe's economy remained lackluster, and the sense of a slowdown affecting the economies of China and other newly developing countries intensified. In the months ahead, the rising sense of uncertainty surrounding the global economy resulting from circumstances such as further heightened trade friction between the U.S. and China and Great Britain's pending withdrawal from the EU will require careful attention.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated first quarter increased 6.8% from the same period last year to 10,160 million yen because of increasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 587 million yen, 57.4% up from the same period last year because of higher income in the Machinery & Equipment Business, while ordinary income came to 594 million yen, 58.7% up from the same period last year. Net income attributable to owners of the parent was 390 million yen, 54.6% up from the same period last year.

Operating results by respective segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales of machinery, equipment and works for domestic private sector demand decreased, but on the other hand net sales of components and repair in all fields, and net sales of machinery for overseas remained steady. As a result, net sales for consolidated first quarter were 2,128 million yen, 33.4% up from the same period last year.

With respect to earnings, operating profit was 164 million yen recovered from operating loss of 94 million yen in the same period last year because of increased profits in the field of components and repair with high margins, and machinery for overseas.

(Chemical Products Business)

In the Chemical Products Business, net sales of materials for motor vehicles, housing and construction applications in the industrial materials sector, and materials for semiconductor manufacturing devices in the advanced materials sector were robust. As a result, net sales of consolidated first quarter were 8,031 million yen, 1.4% up from the same period last year.

With respect to earnings, operating income was 422 million yen, 9.6% down from the same period last year, against a backdrop of a fall in revenue from the electronics materials sector, the fine chemicals sector and Hong Kong-based business.

## (2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 36,773 million yen, down 1.5% or 558 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase of 534 million yen in electronically recorded monetary claims, and an increase of 474 million yen in work in process, a decrease of 574 million yen in notes and accounts receivable-trade, and a decrease of 1,095 million yen in cash and deposits.

Liabilities were 8,827 million yen, down 6.6% or 628 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 649 million yen in provision for bonuses, a decrease of 500 million yen in income tax payable.

Net assets stood at 27,945 million yen, 69 million yen or 0.2% up from the end of the previous consolidated fiscal year. This mainly reflected a decrease of 40 million yen in valuation difference on available-for-sale securities, a decrease of 28 million yen in foreign currency translation adjustment, and an increase of 145 million yen in retained earnings. As a result of the above changes, the equity ratio at the end of the consolidated first quarter under review increased by 1.3 point compared with the end of the previous consolidated fiscal year to 76.0%.

### **(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, 2019 that were announced in the “Financial Results for the Fiscal Year Ended October 31, 2018 [Japan GAAP] (Consolidated)” released on December 7, 2018.

## 2. Quarterly Consolidated Financial Statement

### (1) Quarterly Consolidated Balance Sheets (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2018)	End of First Quarter (January 31, 2019)
<b>Current Assets</b>		
Cash and Deposits	9,354,256	8,259,142
Notes and Accounts Receivable-Trade	11,834,551	11,260,470
Electronically Recorded Monetary Claims	2,183,842	2,718,397
Merchandise and Finished Goods	3,685,115	3,511,842
Work in Process	981,660	1,456,071
Raw Materials and Supplies	667,846	916,474
Others	183,711	219,261
Allowance for Doubtful Accounts	-67,114	-65,656
<b>Total Current Assets</b>	<b>28,823,870</b>	<b>28,276,003</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	4,459,308	4,451,958
Accumulated Depreciation	-1,831,356	-1,864,553
Buildings and Structures, Net	2,627,951	2,587,404
Machinery, Equipment and Vehicles	3,697,837	3,787,308
Accumulated Depreciation	-3,304,595	-3,285,194
Machinery, Equipment and Vehicles, Net	393,242	502,114
Land	1,931,089	1,930,922
Construction in progress	10,606	—
Others	980,958	1,000,287
Accumulated Depreciation	-901,758	-911,171
Others, Net	79,199	89,115
<b>Total Property, Plant and Equipment</b>	<b>5,042,089</b>	<b>5,109,557</b>
Intangible Assets	109,792	95,930
Investments and Other Assets		
Investment Securities	1,374,561	1,316,509
Guarantee Deposits	340,386	339,146
Net Defined Benefit Assets	1,554,938	1,557,761
Deferred Tax Assets	16,436	10,353
Others	92,654	90,611
Allowance for Doubtful Accounts	-22,871	-22,871
<b>Total Investments and Other Assets</b>	<b>3,356,107</b>	<b>3,291,511</b>
<b>Total Noncurrent Assets</b>	<b>8,507,988</b>	<b>8,496,999</b>
<b>Total Assets</b>	<b>37,331,859</b>	<b>36,773,003</b>

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>End of Previous Year (October. 31, 2018)</b>	<b>End of First Quarter (January 31, 2019)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	4,193,451	3,871,083
Electronically Recorded Monetary Debt	1,857,112	2,193,935
Accounts Payable-Others	600,382	622,763
Income Taxes Payable	539,919	39,134
Advances Received	70,030	327,082
Provision for Bonuses	1,081,025	431,072
Provision for Directors' Bonuses	70,000	17,964
Allowance for Product Warranty	160,295	192,148
Others	217,988	312,759
<b>Total Current Liabilities</b>	<b>8,790,206</b>	<b>8,007,944</b>
<b>Noncurrent Liabilities</b>		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	57,905	58,692
Deferred Tax Liabilities	601,913	754,963
<b>Total Noncurrent Liabilities</b>	<b>665,279</b>	<b>819,115</b>
<b>Total Liabilities</b>	<b>9,455,485</b>	<b>8,827,060</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	24,953,779	25,099,631
Treasury Stock	-363,977	-363,977
<b>Total Shareholders' Equity</b>	<b>27,134,422</b>	<b>27,280,274</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	433,098	393,041
Deferred Gains or Losses on Hedges	130	-2,755
Foreign Currency Translation Adjustment	186,221	158,133
Total Adjustment on Net Defined Benefit	122,501	117,249
<b>Total Accumulated Other Comprehensive Income</b>	<b>741,950</b>	<b>665,668</b>
<b>Total Net Assets</b>	<b>27,876,373</b>	<b>27,945,942</b>
<b>Total Liabilities and Net Assets</b>	<b>37,331,859</b>	<b>36,773,003</b>

(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, 2018	First Quarter Ended January 31, 2019
<b>Net Sales</b>	9,517,730	10,160,391
<b>Cost of Sales</b>	7,480,483	7,843,306
<b>Gross Profit</b>	2,037,246	2,317,084
<b>Selling, General and Administrative Expenses</b>	1,664,090	1,729,828
<b>Operating Income</b>	373,155	587,256
<b>Non-Operating Income</b>		
Interest Income	326	346
Dividends Income	9,488	10,835
Rent Income	1,717	1,792
Foreign Exchange Gains	—	1,107
Others	8,117	7,452
<b>Total Non-Operating Income</b>	19,651	21,535
<b>Non-Operating Expenses</b>		
Interest Expenses	7,693	11,286
Commission Paid	756	756
Sales Discount	1,445	2,031
Foreign Exchange Losses	7,210	—
Others	998	198
<b>Total Non-Operating Expenses</b>	18,103	14,272
<b>Ordinary Income</b>	374,702	594,518
<b>Extraordinary Losses</b>		
Loss on Evaluation of Investment Securities	—	6,175
<b>Total Extraordinary Losses</b>	—	6,175
Income before Income Taxes and Minority Interests	374,702	588,342
Income Taxes-Current	23,639	17,324
Income Taxes-Deferred	98,567	180,697
<b>Total Income Taxes</b>	122,206	198,022
<b>Net Income</b>	252,495	390,320
<b>Net Income Attributable to Owners of the Parent</b>	252,495	390,320

Quarterly Consolidated Statements of Comprehensive Income (First Quarter)

	First Quarter Ended January 31, 2018	First Quarter Ended January 31, 2019
<b>Net Income</b>	252,495	390,320
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	57,360	-40,056
Deferred Gains or Losses (-) on Hedges	-4,963	-2,886
Foreign Currency Translation Adjustment	19,218	-28,087
Net Defined Benefit	17,060	-5,251
Total Other Comprehensive Income	88,675	-76,282
<b>Comprehensive Income</b>	341,171	314,038
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	341,171	314,038

### (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.

(Additional information)

Beginning from the first quarter consolidated accounting period, the Company has applied the Partial Revision of "Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan Statement No. 28), and has classified the deferred tax assets in Investments and Other Assets and the deferred tax liabilities in Noncurrent Liabilities.

(Segment information, etc.)

[Segment information]

#### 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.

#### First Quarter Ended January 31, 2019

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	2,128,807	8,031,584	10,160,391	10,160,391
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	2,128,807	8,031,584	10,160,391	10,160,391
Segment Profit	164,283	422,972	587,256	587,256

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