

Financial Results for the First Quarter Ended January 31, 2020 [Japan GAAP] (Consolidated)

Date: March 3, 2020
 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 10, 2020
 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, 2020

(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, 2020	9,524	-6.3	534	-9.0	540	-9.2
Quarter Ended January 31, 2019	10,160	6.8	587	57.4	594	58.7

	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, 2020	355	-8.9	35. ⁶⁵	-
Quarter Ended January 31, 2019	390	54.6	39. ¹²	-

(Note) Comprehensive income

First Quarter ended January 31, 2020: 369 million yen (17.7%) First Quarter ended January 31, 2019: 314 million yen (-8.0%)

(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, 2020	38,787	28,996	74.8
Year Ended October 31, 2019	39,070	28,861	73.9

(Reference) Net assets

First Quarter ended January 31, 2020: 28,996 million yen Year Ended October 31, 2019: 28,861 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, 2019	-	23. ⁰⁰	-	23. ⁰⁰	47. ⁰⁰
Year Ending October 31, 2020	-	23. ⁰⁰	-	23. ⁰⁰	47. ⁰⁰
Year Ending October 31, 2020 (Prospect)	-	23. ⁰⁰	-	23. ⁰⁰	47. ⁰⁰

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

3. Forecast for Earnings for the Year Ending October 31, 2020 (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	44,700	8.1	2,250	-5.3	2,250	-5.6

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,500	-4.4	150. ³³

(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 the specific accounting method to create quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and retrospective restatements.

1) Change in accounting policies 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, 2020: 10,533,200 shares At October 31, 2019: 10,533,200 shares

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

At January 31, 2020: 554,861 shares At October 31, 2019: 554,861 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2020: 9,978,339 shares At January 31, 2019: 9,978,339 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 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

Constrained by slowing exports, as well as a decline in private consumption and reductions in capital investment following a consumption tax increase, Japan's economy began to contract during the first quarter. Overseas, the U.S. economy remains strong, but Europe's economy continues to be sluggish, and China's economy is experiencing a slowing rate of growth.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated first quarter decreased 6.3% from the same period last year to 9,524 million yen because of decreasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 534 million yen, 9.0% down from the same period last year because of lower income in both the Machinery & Equipment Business and Chemical Products Business, while ordinary income came to 540 million yen, 9.2% down from the same period last year. Net income attributable to owners of the parent was 355 million yen, 8.9% down from the same period last year.

Operating results by respective segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated net sales for the year-to-date period were 2,107 million yen, 1.0% down from the same period last year. For domestic private sector demand as a whole, net sales of machinery, equipment and construction works for domestic public sector demand and net sales of components and repair services for overseas markets were higher, but net sales of machinery for overseas markets, together with net sales of components and repair services for domestic public sector demand, exhibited weaker results.

With respect to earnings, operating income was affected by the decline in gross margin because of lower net sales and higher selling, general and administrative expenses, and amounted to 139 million yen, 15.2% down from the same period one year earlier.

(Chemical Products Business)

In the Chemical Products Business, net sales of materials for motor vehicles, housing and construction applications in the industrial materials sector, materials for semiconductor manufacturing devices in the advanced materials sector, and materials in the synthetic resin sector decreased. As a result, net sales of consolidated first quarter were 7,416 million yen, 7.7% down from the same period last year.

With respect to earnings, operating income was 394 million yen, 6.6% down from the same period last year, against a backdrop of a fall in revenue.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 38,787 million yen, down 0.7% or 283 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase in work in process and electronically recorded monetary claims, and a decrease in cash and deposits.

Liabilities were 9,790 million yen, down 4.1% or 419 million yen from the end of the previous consolidated fiscal year, mainly because of an increase in electronically recorded monetary debt, and a decrease in provision for bonuses and income tax payable.

Net assets stood at 28,996 million yen, 135 million yen or 0.5% up from the end of the previous consolidated fiscal year. This mainly reflected a decrease in valuation difference on available-for-sale securities, and an increase in retained earnings and 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 0.9 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, 2020 that were announced in the “Financial Results for the Fiscal Year Ended October 31, 2019 [Japan GAAP] (Consolidated)” released on December 6, 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2019)	End of First Quarter (January 31, 2020)
Current Assets		
Cash and Deposits	12,147,981	10,365,994
Notes and Accounts Receivable-Trade	10,432,830	10,520,758
Electronically Recorded Monetary Claims	1,904,539	2,350,008
Merchandise and Finished Goods	3,242,217	3,208,257
Work in Process	1,200,360	1,787,500
Raw Materials and Supplies	1,014,166	1,398,689
Others	381,860	432,239
Allowance for Doubtful Accounts	-63,652	-63,459
Total Current Assets	30,260,304	29,999,988
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	4,608,252	4,561,040
Accumulated Depreciation	-1,954,347	-1,935,246
Buildings and Structures, Net	2,653,904	2,625,793
Machinery, Equipment and Vehicles	3,771,107	3,813,488
Accumulated Depreciation	-3,284,685	-3,331,702
Machinery, Equipment and Vehicles, Net	486,422	481,786
Land	1,930,720	1,930,825
Construction in progress	123,271	114,377
Others	1,036,746	1,051,892
Accumulated Depreciation	-955,308	-936,568
Others, Net	81,437	115,323
Total Property, Plant and Equipment	5,275,756	5,268,105
Intangible Assets	129,094	122,977
Investments and Other Assets		
Investment Securities	1,393,589	1,340,917
Guarantee Deposits	349,795	399,184
Net Defined Benefit Assets	1,588,079	1,593,984
Deferred Tax Assets	16,446	4,473
Others	80,562	80,170
Allowance for Doubtful Accounts	-22,681	-22,681
Total Investments and Other Assets	3,405,791	3,396,049
Total Noncurrent Assets	8,810,642	8,787,132
Total Assets	39,070,946	38,787,120

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2019)	End of First Quarter (January 31, 2020)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	4,165,190	3,817,149
Electronically Recorded Monetary Debt	1,822,509	2,498,188
Accounts Payable-Others	821,503	776,953
Income Taxes Payable	430,816	29,924
Advances Received	577,512	710,358
Provision for Bonuses	1,160,657	460,461
Provision for Directors' Bonuses	72,627	15,466
Allowance for Product Warranty	313,350	283,383
Others	199,898	400,490
Total Current Liabilities	9,564,068	8,992,376
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	63,208	64,246
Deferred Tax Liabilities	576,715	728,258
Total Noncurrent Liabilities	645,384	797,964
Total Liabilities	10,209,452	9,790,341
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	26,043,930	26,165,208
Treasury Stock	-363,977	-363,977
Total Shareholders' Equity	28,224,573	28,345,850
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	439,359	397,744
Deferred Gains or Losses on Hedges	1,954	2,001
Foreign Currency Translation Adjustment	83,282	143,442
Total Adjustment on Net Defined Benefit	112,324	107,740
Total Accumulated Other Comprehensive Income	636,920	650,928
Total Net Assets	28,861,494	28,996,779
Total Liabilities and Net Assets	39,070,946	38,787,120

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

Quarterly Consolidated Statement of Income (First Quarter)

(Thousands of Yen)

	First Quarter Ended January 31, 2019	First Quarter Ended January 31, 2020
Net Sales	10,160,391	9,524,065
Cost of Sales	7,843,306	7,251,002
Gross Profit	2,317,084	2,273,062
Selling, General and Administrative Expenses	1,729,828	1,738,761
Operating Income	587,256	534,301
Non-Operating Income		
Interest Income	346	457
Dividends Income	10,835	12,040
Rent Income	1,792	1,792
Foreign Exchange Gains	1,107	—
Others	7,452	7,356
Total Non-Operating Income	21,535	21,648
Non-Operating Expenses		
Interest Expenses	11,286	2,983
Commission Paid	756	756
Sales Discount	2,031	1,657
Foreign Exchange Losses	—	7,230
Others	198	3,254
Total Non-Operating Expenses	14,272	15,882
Ordinary Income	594,518	540,067
Extraordinary Losses		
Loss on Evaluation of Investment Securities	6,175	—
Total Extraordinary Losses	6,175	—
Income before Income Taxes and Minority Interests	588,342	540,067
Income Taxes-Current	17,324	7,005
Income Taxes-Deferred	180,697	177,293
Total Income Taxes	198,022	184,298
Net Income	390,320	355,768
Net Income Attributable to Owners of the Parent	390,320	355,768

Quarterly Consolidated Statement of Comprehensive Income (First Quarter)

	First Quarter Ended January 31, 2019	First Quarter Ended January 31, 2020
Net Income	390,320	355,768
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-40,056	-41,614
Deferred Gains or Losses (-) on Hedges	-2,886	46
Foreign Currency Translation Adjustment	-28,087	60,160
Net Defined Benefit	-5,251	-4,584
Total Other Comprehensive Income	-76,282	14,007
Comprehensive Income	314,038	369,776
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	314,038	369,776

(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.)

[Segment information]

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 or Loss (-)	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.

First Quarter Ended January 31, 2020

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	2,107,131	7,416,934	9,524,065	9,524,065
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	2,107,131	7,416,934	9,524,065	9,524,065
Segment Profit	139,389	394,911	534,301	534,301

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