

# Financial Results for the Second Quarter Ended April 30, 2020 [Japan GAAP] (Consolidated)

Date: June 17, 2020  
 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: June 24, 2020  
 Date for Dividend Payment: July 13, 2020  
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Yes  
 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 Second Quarter Ended April 30, 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 April 30, 2020	19,933	-10.0	1,395	-17.9	1,390	-18.8
Quarter Ended April 30, 2019	22,136	5.8	1,700	28.9	1,713	27.3

	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, 2020	909	-21.0	91. <sup>14</sup>	-
Quarter Ended April 30, 2019	1,151	29.5	115. <sup>41</sup>	-

(Note) Comprehensive income

Second Quarter ended April 30, 2020: 707 million yen (-36.4%)    Second Quarter ended April 30, 2019: 1,111 million yen (19.5%)

(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, 2020	39,157	29,334	74.9
Year Ended October 31, 2019	39,070	28,861	73.9

(Reference) Net assets

Second Quarter ended April 30, 2020: 29,334 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. <sup>50</sup>	-	23. <sup>50</sup>	47. <sup>00</sup>
Year Ending October 31, 2020	-	23. <sup>50</sup>	-	23. <sup>50</sup>	47. <sup>00</sup>
Year Ending October 31, 2020 (Prospect)	-	23. <sup>50</sup>	-	23. <sup>50</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, 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	40,900	-1.1	1,980	-16.7	1,980	-17.0

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,280	-18.4	128. <sup>28</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 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 April 30, 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 April 30, 2020: 554,861 shares                      At October 31, 2019: 554,861 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2020: 9,978,339 shares                      At April 30, 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 Financial Results for the Quarter (Attachments) on page 4, (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 second quarter consolidated year-to-date period, Japan's economy suffered negative growth because of lower demand, primarily in personal consumption, capital investment, and exports, all of which were affected by the rising number of coronavirus infections. The global economy has deteriorated rapidly as well, against the backdrop of the pandemic's spread from China to Europe and the United States and concomitant constraints on economic activity.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated second quarter decreased 10.0% from the same period last year to 19,933 million yen because of decreasing sales in both the Machinery & Equipment Business and Chemical Products Business. From the earnings aspect, operating income was 1,395 million yen, 17.9% down from the same period last year because of lower profit in the Machinery & Equipment Businesses, while ordinary income came to 1,390 million yen, 18.8% down from the same period last year. Net income attributable to owners of the parent was 909 million yen, 21.0% 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 5,441 million yen, 17.9% down from the same period last year. Despite growth in net sales of machinery, equipment and construction works for domestic public sector demand based on receipt of orders for large-scale projects, and higher net sales of machinery, equipment and construction works for domestic private sector demand that was concentrated in the chemical industry, foods, and semiconductors, overseas net sales of machinery, equipment and construction works exhibited a reactionary drop from the large-scale projects for China, Southeast Asia, and Europe and the United States that drove growth in the same period last year, while sales of components and repair services for overseas markets and for domestic public sector demand declined as well, pulling total net sales lower.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	April, 2020	394	801	1,776	2,972
	April, 2019	232	342	2,078	2,652
	% change	69.5%	134.4%	-14.5%	12.1%
Private sector	April, 2020	398	120	944	1,464
	April, 2019	253	90	1,040	1,385
	% change	57.1%	33.7%	-9.2%	5.7%
Overseas markets	April, 2020	135	0	868	1,004
	April, 2019	1,250	34	1,305	2,591
	% change	-89.1%	-	-33.5%	-61.2%
<b>TOTAL</b>	April, 2020	929	922	3,590	5,441
	April, 2019	1,737	467	4,424	6,629
	% change	-46.5%	97.4%	-18.9%	-17.9%

With respect to earnings during the period, operating income was 604 million yen, 36.1% down from the same period one year earlier, reflecting the decline in gross margin that resulted from lower net sales.

(Chemical Products Business)

In the Chemical Products Business, net sales of transport materials for semiconductor manufacturing applications in the electronic materials sector increased, but on the other hand net sales of materials for motor vehicles, housing and construction applications in the industrial materials sector, resin and products for domestic and overseas markets in the synthetic resin sector, and materials for semiconductor manufacturing devices in the advanced materials sector decreased, all of which were affected by the rising number of coronavirus infections. As a result, net sales for consolidated second quarter year-to-date period were 14,491 million yen, 6.5% down from the same period last year.

(Millions of Yen)

	April, 2019	April, 2020	% change
Synthetic resin sector	3,823	3,529	-7.7%
Industrial materials sector	4,975	4,209	-15.4%
Chemical products sector	3,118	3,144	0.8%
Advanced materials sector	1,684	1,603	-4.8%
Electronic materials sector	1,720	1,870	8.7%
Other products (foreign liquor)	184	133	-27.2%
Total	15,507	14,491	-6.5%

With respect to earnings, operating income was 791 million yen, 4.9% up from the same period of the prior year, because of improved gross-profit margin and decreased selling costs.

## (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 39,157 million yen, increased by 86 million yen from the end of the previous consolidated fiscal year. This mainly reflected decreased notes and accounts receivable-trade, and cash and deposits, and increased electronically recorded monetary claims, and raw materials and supplies.

Liabilities were 9,823 million yen, decreased by 385 million yen from the end of the previous consolidated fiscal year, mainly because of increased electronically recorded monetary debt, and advances received, and decreased notes and accounts payable-trade, and provision for bonuses.

Net assets stood at 29,334 million yen, increased by 472 million 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 recorded under quarterly net income attributable to owners of the parent.

As a result of the above changes, the equity ratio at the end of the consolidated second quarter under review stood at 74.9%, increased by 1.0 point from 73.9% at the end of the previous consolidated fiscal year.

## **[2] Cash Flow Status**

Cash and cash equivalents (“cash”) as of the end of the consolidated second quarter under review decreased by 4,395 million yen from the end of the previous consolidated fiscal year to 7,752 million yen, despite positive cash flow provided by operating activities, reflecting expenditures for both investment and financing activities. 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 by operating activities during the consolidated second quarter under review totaled 157 million yen. Inventory increased by 737 million yen, payment of income taxes and provision for bonuses decreased by 486 million yen and 330 million yen respectively, and income before income taxes and advances received increased by 1,388 million yen and by 332 million yen respectively. Net cash provided by operating activities decreased by 1,808 million yen compared to 1,965 million yen provided for the same consolidated quarter year-to-date period of the previous year.

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

Net cash used by investing activities during the consolidated second quarter under review reflected expenditures totaling 4,320 million yen. This reflected a difference of 4,000 million yen between deposits and disbursements to time deposits. Net cash used by investing activities increased by 1,083 million yen compared to 3,237 million yen used for the same consolidated quarter year-to-date period of the previous year.

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

The decrease in cash as a result of financing activities during the consolidated second quarter under review came to 234 million yen. This reflected the payment of cash dividends of 234 million yen. Net cash used in investing activities decreased by 9 million yen compare to 244 million yen used for the same consolidated quarter year-to-date period of the previous year.

## **(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 October 31, 2020 that were announced in the “Notice on changes in earnings forecast” released on June 12, 2020.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet (Second Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October 31, 2019)	End of Second Quarter (April 30, 2020)
<b>Current Assets</b>		
Cash and Deposits	12,147,981	11,752,808
Notes and Accounts Receivable-Trade	10,432,830	9,829,541
Electronically Recorded Monetary Claims	1,904,539	2,576,224
Merchandise and Finished Goods	3,242,217	3,236,082
Work in Process	1,200,360	1,371,753
Raw Materials and Supplies	1,014,166	1,584,490
Others	381,860	323,893
Allowance for Doubtful Accounts	-63,652	-62,463
<b>Total Current Assets</b>	<b>30,260,304</b>	<b>30,612,331</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	4,608,252	4,571,695
Accumulated Depreciation	-1,954,347	-1,957,654
Buildings and Structures, Net	2,653,904	2,614,040
Machinery, Equipment and Vehicles	3,771,107	3,776,652
Accumulated Depreciation	-3,284,685	-3,321,622
Machinery, Equipment and Vehicles, Net	486,422	455,030
Land	1,930,720	1,930,778
Construction in progress	123,271	123,967
Others	1,036,746	1,051,314
Accumulated Depreciation	-955,308	-944,631
Others, Net	81,437	106,682
<b>Total Property, Plant and Equipment</b>	<b>5,275,756</b>	<b>5,230,498</b>
Intangible Assets	129,094	128,813
Investments and Other Assets		
Investment Securities	1,393,589	1,110,944
Guarantee Deposits	349,795	398,657
Net Defined Benefit Assets	1,588,079	1,606,559
Deferred Tax Assets	16,446	11,550
Others	80,562	81,504
Allowance for Doubtful Accounts	-22,681	-23,051
<b>Total Investments and Other Assets</b>	<b>3,405,791</b>	<b>3,186,164</b>
<b>Total Noncurrent Assets</b>	<b>8,810,642</b>	<b>8,545,476</b>
<b>Total Assets</b>	<b>39,070,946</b>	<b>39,157,808</b>

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2019)	End of Second Quarter (April 30, 2020)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	4,165,190	3,506,191
Electronically Recorded Monetary Debt	1,822,509	2,403,407
Accounts Payable-Others	821,503	552,087
Income Taxes Payable	430,816	212,679
Advances Received	577,512	910,133
Provision for Bonuses	1,160,657	830,033
Provision for Directors' Bonuses	72,627	27,577
Allowance for Product Warranty	313,350	286,858
Others	199,898	334,744
<b>Total Current Liabilities</b>	9,564,068	9,063,714
<b>Noncurrent Liabilities</b>		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	63,208	64,354
Deferred Tax Liabilities	576,715	689,959
<b>Total Noncurrent Liabilities</b>	645,384	759,774
<b>Total Liabilities</b>	10,209,452	9,823,488
<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	26,043,930	26,718,842
Treasury Stock	-363,977	-363,977
<b>Total Shareholders' Equity</b>	28,224,573	28,899,485
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	439,359	234,553
Deferred Gains or Losses on Hedges	1,954	-2,240
Foreign Currency Translation Adjustment	83,282	99,365
Total Adjustment on Net Defined Benefit	112,324	103,156
<b>Total Accumulated Other Comprehensive Income</b>	636,920	434,834
<b>Total Net Assets</b>	28,861,494	29,334,319
<b>Total Liabilities and Net Assets</b>	39,070,946	39,157,808

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

Quarterly Consolidated Statement of Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2019	Second Quarter Ended April 30, 2020
<b>Net Sales</b>	22,136,224	19,933,464
<b>Cost of Sales</b>	16,928,304	15,168,940
<b>Gross Profit</b>	5,207,919	4,764,524
<b>Selling, General and Administrative Expenses</b>	3,507,279	3,368,708
<b>Operating Income</b>	1,700,640	1,395,816
<b>Non-Operating Income</b>		
Interest Income	786	1,200
Dividends Income	13,297	14,522
Rent Income	3,585	3,585
Foreign Exchange Gain	12,183	-
Others	16,445	10,896
<b>Total Non-Operating Income</b>	46,297	30,204
<b>Non-Operating Expenses</b>		
Interest Expenses	20,908	5,066
Commission Paid	7,487	7,495
Sales Discount	3,591	3,219
Foreign Exchange Loss	-	15,848
Others	1,768	3,873
<b>Total Non-Operating Expenses</b>	33,756	35,503
<b>Ordinary Income</b>	1,713,181	1,390,517
<b>Extraordinary Losses</b>		
Loss on Evaluation of Investment Securities	5,550	1,921
<b>Total Extraordinary Losses</b>	5,550	1,921
Income before Income Taxes and Minority Interests	1,707,631	1,388,596
Income Taxes-Current	542,534	270,313
Income Taxes-Deferred	13,535	208,880
<b>Total Income Taxes</b>	556,069	479,193
<b>Net Income or Net Loss (-)</b>	1,151,561	909,402
<b>Net Income or Net Loss (-)</b>	1,151,561	909,402
<b>Attributable to Owners of the Parent</b>		

Quarterly Consolidated Statement of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2019	Second Quarter Ended April 30, 2020
<b>Net Income</b>	1,151,561	909,402
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-24,480	-204,806
Deferred Gains or Losses (-) on Hedges	822	-4,195
Foreign Currency Translation Adjustment	-5,785	16,083
Net Defined Benefit	-10,503	-9,168
Total Other Comprehensive Income	-39,945	-202,086
<b>Comprehensive Income</b>	1,111,615	707,316
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	1,111,615	707,316

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of Yen)

	Second Quarter Ended April 30, 2019	Second Quarter Ended April 30, 2020
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes	1,707,631	1,388,596
Depreciation and Amortization	177,632	169,817
Increase (Decrease) in Provision for Bonuses	(255,091)	(330,778)
Increase (Decrease) in Provision for Directors' Bonuses	(35,986)	(45,049)
Increase (Decrease) in Allowance for Product Warranty	172,303	(26,492)
Increase (Decrease) in Net Defined Benefit Liability	2,388	1,146
Decrease (Increase) in Net Defined Benefit Asset	(14,159)	(22,525)
Increase (Decrease) in Allowance for Doubtful Accounts	57	(1,334)
Interests and Dividends Income	(14,083)	(15,723)
Interest Expenses	20,908	5,066
Foreign Exchange Losses (Gains)	19,716	13,649
Decrease (Increase) in Notes and Accounts Receivable-Trade	(107,744)	(73,958)
Decrease (Increase) in Inventories	511,229	(737,074)
Increase (Decrease) in Notes and Accounts Payable-Trade	(13,773)	(74,006)
Valuation Difference in Investment Securities (Gains)	5,550	1,921
Increase (Decrease) in Accounts Payable-Others	57,030	(135,213)
Increase (Decrease) in Advances Received	196,088	332,283
Others, Net	44,646	182,064
Sub Total	2,474,344	632,387
Interests and Dividends Income Received	14,030	15,806
Interest Expenses Paid	(20,915)	(5,073)
Income Taxes Returned (Paid)	(502,397)	(486,088)
<b>Net Cash Provided by (Used in) Operating Activities</b>	1,965,061	157,031

(Thousands of Yen)

	Second Quarter Ended April 30, 2019	Second Quarter Ended April 30, 2020
<b>Net Cash Provided by (Used in) Investment Activities</b>		
Disbursement to Time Deposits	(6,000,000)	(8,000,000)
Withdrawal from Time Deposits	3,000,000	4,000,000
Purchase of Property, Plant and Equipment	(199,281)	(237,462)
Proceeds from Sales of Property, Plant and Equipment	935	-
Purchase of Intangible Fixed Assets	(20,953)	(23,436)
Purchase of Investment Securities	(10,546)	(10,786)
Payments of Loans Receivable	(2,040)	(920)
Collection of Loans Receivable	1,895	2,015
Guarantee Deposits (Increase)	(5,622)	(48,554)
Others, Net	(1,757)	(1,692)
<b>Net Cash Provided by (Used in) Investment Activities</b>	<b>(3,237,370)</b>	<b>(4,320,837)</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Cash Dividends Paid	(244,469)	(234,490)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(244,469)</b>	<b>(234,490)</b>
<b>Cash and Cash Equivalents</b>		
Effect of Exchange Rate Change on Cash and Cash Equivalents	(11,699)	3,124
Net Increase (Decrease) in Cash and Cash Equivalents	(1,528,476)	(4,395,172)
Cash and Cash Equivalents at Beginning of Period	9,354,256	12,147,981
Cash and Cash Equivalents at End of This Quarter	7,825,779	7,752,808

#### (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.)

[Segment information]

#### Second Quarter Ended April 30, 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	6,629,012	15,507,212	22,136,224	22,136,224
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	6,629,012	15,507,212	22,136,224	22,136,224
Segment Profit	945,684	754,956	1,700,640	1,700,640

(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, 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	5,441,781	14,491,683	19,933,464	19,933,464
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,441,781	14,491,683	19,933,464	19,933,464
Segment Profit	604,144	791,672	1,395,816	1,395,816

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