

Financial Results for the First Quarter Ended January 31, 2021 [Japan GAAP] (Consolidated)

Date: March 11, 2021
 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 16, 2021
 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, 2021

(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, 2021	10,606	11.4	649	21.6	675	25.0
Quarter Ended January 31, 2020	9,524	-6.3	534	-9.0	540	-9.2

	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, 2021	497	40.0	49. ⁰⁰	-
Quarter Ended January 31, 2020	355	-8.9	35. ⁶⁵	-

(Note) Comprehensive income

First Quarter ended January 31, 2021: 588 million yen (59.2%) First Quarter ended January 31, 2020: 369 million yen (17.7%)

(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, 2021	38,997	30,012	77.0
Year Ended October 31, 2020	38,438	29,668	77.2

(Reference) Net assets

First Quarter ended January 31, 2021: 30,012 million yen Year Ended October 31, 2020: 29,668 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, 2020	-	23. ⁰⁰	-	24. ⁰⁰	48. ⁰⁰
Year Ending October 31, 2021	-				
Year Ending October 31, 2021 (Prospect)		25. ⁰⁰	-	25. ⁰⁰	50. ⁰⁰

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

3. Forecast for Earnings for the Year Ending October 31, 2021 (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	41,500	5.8	2,080	-8.0	2,080	-9.4

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,420	7.3	142. 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 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, 2021: 10,533,200 shares At October 31, 2020: 10,533,200 shares

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

At January 31, 2021: 554,861 shares At October 31, 2020: 554,861 shares

3) Number of average shares (accumulated quarterly total)

At January 31, 2021: 9,978,339 shares At January 31, 2020: 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

During the first quarter consolidated period, Japan's economy maintained its recovery trend as exports expanded significantly against the backdrop of several developments, including the ongoing economic recovery overseas in China and other countries, robust private consumption, and a return to positive growth in capital investment, and the negative impact from the spread of coronavirus infections appeared to gradually dissipate. Overseas, China's economic recovery continued, and the U.S. economy remained firm, but Europe's economic growth turned negative.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated first quarter increased 11.4% from the same period last year to 10,606 million yen because of increasing sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 649 million yen, 12.6% up from the same period last year because of higher income in the Chemical Products Business, while ordinary income came to 675 million yen, 25.0% up from the same period last year. Net income attributable to owners of the parent was 497 million yen, 40.0% up 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 first quarter period were 2,835 million yen, 34.6% up from the same period last year. Net sales of machinery, equipment and construction for domestic public sector and private sector demand were basically unchanged, but net sales of machinery, components and repair services for overseas markets rose higher, particularly as sales for China expanded.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	January, 2021	16	22	561	600
	January, 2020	155	46	556	757
	Difference	-138	-23	5	-157
Private sector	January, 2021	146	-	455	602
	January, 2020	273	116	423	813
	Difference	-126	-116	31	-210
Overseas markets	January, 2021	895	0	736	1,632
	January, 2020	64	-	471	536
	Difference	830	0	265	1,096
TOTAL	January, 2021	1,059	22	1,753	2,835
	January, 2020	493	162	1,451	2,107
	Difference	565	-139	302	728

With respect to earnings, because of the decline in net sales of machinery, equipment and construction for domestic public sector demand, tighter gross profit margins on net sales of machinery for overseas markets, and an increase in selling, general and administrative expenses, operating income came to 110 million yen, 20.6% down from the same period one year ago.

(Chemical Products Business)

In the Chemical Products Business, net sales continued to recover centered on the motor vehicles sector, which was affected severely by the coronavirus pandemic during the second half of last year. On the other hand, net sales of materials for motor vehicles in the industrial materials sector, materials and additives for paint and ink applications in the fine chemical products sector, and materials for semiconductor manufacturing devices in the electronic materials sector increased. As a result, consolidated net sales for the quarter were 7,770 million yen, 4.8% up from the same period one year ago.

(Millions of Yen)

	January, 2020	January, 2021	Difference
Synthetic resin sector	1,949	1,945	-3
Industrial materials sector	2,127	2,245	118
Chemical products sector	1,530	1,634	103
Advanced materials sector	793	849	55
Electronic materials sector	930	1,015	85
Other products (foreign liquor)	85	79	-5
Total	7,416	7,770	353

With respect to earnings during the period, operating income was 538 million yen, 36.4% up from the same period one year earlier, reflecting an increase of gross margin that resulted from higher net sales.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated first quarter under review were 38,997 million yen, up 1.5% or 559 million yen from the end of the previous consolidated fiscal year. This mainly reflected an increase in notes and accounts receivable-trade and electronically recorded monetary claims, and a decrease in cash and deposits.

Liabilities were 8,985 million yen, up 2.5% or 215 million yen from the end of the previous consolidated fiscal year, mainly because of an increase in notes and accounts payable-trade, and a decrease in provision for bonuses and income tax payable.

Net assets stood at 30,012 million yen, 344 million yen or 1.2% up from the end of the previous consolidated fiscal year. This mainly reflected an increase in retained earnings and valuation difference on available-for-sale securities, and a decrease in total adjustment on net defined benefit.

As a result of the above changes, the equity ratio at the end of the consolidated first quarter under review decreased by 0.2 point compared with the end of the previous consolidated fiscal year to 77.0%.

(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, 2021 that were announced in the “Financial Results for the Fiscal Year Ended October 31, 2020 [Japan GAAP] (Consolidated)” released on December 14, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet (First Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2020)	End of First Quarter (January 31, 2021)
Current Assets		
Cash and Deposits	11,857,553	11,614,737
Notes and Accounts Receivable-Trade	10,400,639	10,839,748
Electronically Recorded Monetary Claims	2,131,545	2,471,961
Merchandise and Finished Goods	2,605,708	2,526,498
Work in Process	1,684,070	1,819,099
Raw Materials and Supplies	1,066,944	989,586
Others	253,335	259,563
Allowance for Doubtful Accounts	-60,767	-59,547
Total Current Assets	29,939,029	30,461,647
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	4,722,504	4,724,974
Accumulated Depreciation	-2,026,932	-2,063,897
Buildings and Structures, Net	2,695,571	2,661,076
Machinery, Equipment and Vehicles	3,826,069	3,855,021
Accumulated Depreciation	-3,360,809	-3,405,486
Machinery, Equipment and Vehicles, Net	465,260	449,535
Land	1,930,580	1,930,431
Others	1,071,431	1,089,651
Accumulated Depreciation	-959,930	-974,670
Others, Net	111,500	114,981
Total Property, Plant and Equipment	5,202,912	5,156,024
Intangible Assets	128,516	114,636
Investments and Other Assets		
Investment Securities	1,227,085	1,318,771
Guarantee Deposits	398,405	398,650
Net Defined Benefit Assets	1,473,503	1,486,719
Deferred Tax Assets	12,143	4,825
Others	79,027	78,914
Allowance for Doubtful Accounts	-22,291	-22,291
Total Investments and Other Assets	3,167,873	3,265,589
Total Noncurrent Assets	8,499,302	8,536,250
Total Assets	38,438,331	38,997,898

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2020)	End of First Quarter (January 31, 2021)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	3,004,198	3,616,415
Electronically Recorded Monetary Debt	2,150,419	2,186,162
Accounts Payable-Others	621,692	728,123
Income Taxes Payable	179,968	31,898
Advances Received	201,993	305,948
Provision for Bonuses	1,231,975	478,313
Provision for Directors' Bonuses	61,555	16,569
Allowance for Product Warranty	236,423	241,341
Others	397,235	478,736
Total Current Liabilities	8,085,462	8,083,509
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	71,219	73,498
Deferred Tax Liabilities	607,445	822,564
Total Noncurrent Liabilities	684,124	901,523
Total Liabilities	8,769,587	8,985,032
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	27,107,252	27,360,706
Treasury Stock	-363,977	-363,977
Total Shareholders' Equity	29,287,895	29,541,348
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	307,456	386,113
Deferred Gains or Losses on Hedges	-1,566	866
Foreign Currency Translation Adjustment	92,854	105,645
Total Adjustment on Net Defined Benefit	-17,896	-21,108
Total Accumulated Other Comprehensive Income	380,848	471,516
Total Net Assets	29,668,743	30,012,865
Total Liabilities and Net Assets	38,438,331	38,997,898

(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, 2020	First Quarter Ended January 31, 2021
Net Sales	9,524,065	10,606,041
Cost of Sales	7,251,002	8,155,451
Gross Profit	2,273,062	2,450,589
Selling, General and Administrative Expenses	1,738,761	1,801,104
Operating Income	534,301	649,485
Non-Operating Income		
Interest Income	457	685
Dividends Income	12,040	11,359
Rent Income	1,792	1,829
Foreign Exchange Gains	—	8,125
Others	7,356	6,921
Total Non-Operating Income	21,648	28,921
Non-Operating Expenses		
Interest Expenses	2,983	554
Commission Paid	756	756
Sales Discount	1,657	1,553
Foreign Exchange Losses	7,230	—
Others	3,254	484
Total Non-Operating Expenses	15,882	3,348
Ordinary Income	540,067	675,057
Extraordinary Profits		
Profit on Sales of Investment Securities	—	23,927
Total Extraordinary Profits	—	23,927
Income before Income Taxes and Minority Interests	540,067	698,985
Income Taxes-Current	7,005	11,810
Income Taxes-Deferred	177,293	189,252
Total Income Taxes	184,298	201,063
Net Income	355,768	497,922
Net Income Attributable to Owners of the Parent	355,768	497,922

Quarterly Consolidated Statement of Comprehensive Income (First Quarter)

	First Quarter Ended January 31, 2020	First Quarter Ended January 31, 2021
Net Income	355,768	497,922
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-41,614	78,657
Deferred Gains or Losses (-) on Hedges	46	2,433
Foreign Currency Translation Adjustment	60,160	12,790
Net Defined Benefit	-4,584	-3,212
Total Other Comprehensive Income	14,007	90,668
Comprehensive Income	369,776	588,590
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	369,776	588,590

(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, 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.

First Quarter Ended January 31, 2021

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	2,835,613	7,770,427	10,606,041	10,606,041
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	2,835,613	7,770,427	10,606,041	10,606,041
Segment Profit	110,686	538,798	649,485	649,485

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