

# Financial Results for the Second Quarter Ended April 30, 2021 [Japan GAAP] (Consolidated)

Date: June 9, 2021  
 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  
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 Date to report Quarterly Consolidated Financial Statement: June 14, 2021  
 Date for Dividend Payment: July 12, 2021  
 Preparation of Supplementary Explanatory Materials for Quarterly Operating Results: Yes  
 Briefing Session for Quarterly Operating Results: Yes (For analysts and institutional investors)

\* Any fractional sums less than one million (or one thousand) yen are disregarded

## 1. Consolidated Financial Data for the Second Quarter Ended April 30, 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 April 30, 2021	23,048	15.6	1,934	38.6	1,958	40.9
Quarter Ended April 30, 2020	19,933	-10.0	1,395	-17.9	1,390	-18.8

	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, 2021	1,458	60.4	146. <sup>17</sup>	-
Quarter Ended April 30, 2020	909	-21.0	91. <sup>14</sup>	-

(Note) Comprehensive income

Second Quarter ended April 30, 2021: 1,661 million yen (134.9%)    Second Quarter ended April 30, 2020: 707 million yen (-36.4%)

(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, 2021	41,099	31,085	75.6
Year Ended October 31, 2020	38,438	29,668	77.2

(Reference) Net assets

Second Quarter ended April 30, 2021: 31,085 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. <sup>00</sup>	-	24. <sup>00</sup>	48. <sup>00</sup>
Year Ending October 31, 2021	-	25. <sup>00</sup>	-	-	-
Year Ending October 31, 2021 (Prospect)	-	-	-	25. <sup>00</sup>	50. <sup>00</sup>

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

### 3. Forecast for Earnings for the Year Ending October 31, 2021 (Consolidated)

	Net Sales		Operating Income		Ordinary Income	
	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)	(Millions of Yen)	(Percent)
Full Business Year	43,700	11.4	2,360	4.4	2,380	3.7

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,770	15.5	177. <sup>39</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: 1 (Company names): Tomoe Engineering (Shanghai) Co., Ltd.

(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, 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 April 30, 2021: 554,911 shares                      At October 31, 2020: 554,861 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2021: 9,978,325 shares                      At April 30, 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 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 period under review, Japan's economy contracted despite an initially solid start. Although the domestic and international economies both enjoyed a rapid recovery from the coronavirus pandemic, and exports in recent months have maintained a steady pace, year-to-date performance reflected decreases in personal consumption and capital investment that were prompted by declarations of a state of emergency in several regions of Japan. Overseas, China's economy continued to perform well, and the US economy remained brisk, but Europe's economic downturn continues.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated second quarter increased 15.6% from the same period last year to 23,048 million yen because of increased sales in both the Machinery & Equipment Business and Chemical Products Business. From an earnings aspect, operating income was 1,934 million yen, 38.6% up from the same period last year because of higher income in both the Machinery & Equipment Business and Chemical Products Business, while ordinary income came to 1,958 million yen, 40.9% up from the same period last year. Net income attributable to owners of the parent was 1,458 million yen, 60.4% up from the same period last year, mainly reflecting a gain on sale of a consolidated subsidiary in China.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated net sales for the second quarter period were 7,443 million yen, 36.8% up from the same period last year. Despite sluggish growth in net sales of machinery for domestic public sector demand, and machinery, equipment and construction works for domestic private sector demand, net sales of machinery for overseas markets, particularly for China, and components and repair services for all fields, in addition to construction works for domestic public sector demand based on receipt of orders for large-scale projects rose higher.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	April, 2021	284	973	2,078	3,336
	April, 2020	394	801	1,776	2,972
	Difference	-109	172	301	363
Private sector	April, 2021	291	0	1,010	1,301
	April, 2020	398	120	944	1,464
	Difference	-107	-120	65	-162
Overseas markets	April, 2021	1,499	0	1,306	2,806
	April, 2020	135	0	868	1,004
	Difference	1,363	0	437	1,801
TOTAL	April, 2021	2,074	974	4,394	7,443
	April, 2020	929	922	3,590	5,441
	Difference	1,145	51	804	2,001

With respect to earnings, operating income was 915 million yen, 51.5% up from the same period one year earlier, reflecting higher gross-profit margin in the field of components and repair services which had high margins.

(Chemical Products Business)

In the Chemical Products Business, net sales clearly 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 and mineral products 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 all increased. As a result, consolidated net sales for the quarter were 15,604 million yen, 7.7% up from the same period one year ago.

(Millions of Yen)

	April, 2020	April, 2021	Difference
Synthetic resin sector	3,529	3,977	447
Industrial materials and mineral products sector	4,209	4,486	276
Chemical products sector	3,144	3,314	170
Advanced materials sector	1,603	1,727	123
Electronic materials sector	1,870	1,964	93
Other products (foreign liquor)	133	134	0
Total	14,491	15,604	1,112

With respect to earnings, operating income was 1,019 million yen, 28.8% up from the same period of the prior year, reflecting higher gross-profit margin in the field of industrial materials sector and chemical products sector which had high margins.

## (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 41,099 million yen, increased by 2,661 million yen from the end of the previous consolidated fiscal year. This mainly reflected a decrease in work in process, and notes and accounts receivable-trade, and an increase in cash and deposits, and electronically recorded monetary claims.

Liabilities were 10,014 million yen, increased by 1,244 million yen from the end of the previous consolidated fiscal year, mainly because of an increase in notes and accounts payable-trade, and income taxes payable, despite a decrease in provision for bonuses, and electronically recorded monetary debt.

Net assets stood at 31,085 million yen, increased by 1,417 million from the end of the previous consolidated fiscal year. This mainly reflected 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 75.6%, decreased by 1.6 point from 77.2% 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 1,123 million yen from the end of the previous consolidated fiscal year to 10,733 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 3,186 million yen. This mainly reflected an increase in income before income taxes by 2,045 million yen, and notes and accounts payable-trade by 622 million yen, and a decrease of inventory by 619 million yen, despite a decrease in provision for bonuses by 261 million yen, and payment of income taxes by 173 million yen. Net cash provided by operating activities increased by 3,029 million yen compared to 157 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 4,127 million yen. This reflected a difference of 4,000 million yen between deposits and disbursements to time deposits. Net cash used by investing activities decreased by 193 million yen compared to 4,320 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 244 million yen. This reflected the payment of cash dividends of 244 million yen. Net cash used in investing activities increased by 10 million yen compared to 234 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, 2021 that were announced in the “Notice on changes in earnings forecast” released on June 4, 2021.

## 2. Quarterly Consolidated Financial Statements and Notes

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

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2020)	End of Second Quarter (April 30, 2021)
<b>Current Assets</b>		
Cash and Deposits	11,857,553	14,733,893
Notes and Accounts Receivable-Trade	10,400,639	9,774,755
Electronically Recorded Monetary Claims	2,131,545	2,946,899
Merchandise and Finished Goods	2,605,708	3,353,462
Work in Process	1,684,070	741,794
Raw Materials and Supplies	1,066,944	717,891
Others	253,335	238,560
Allowance for Doubtful Accounts	-60,767	-63,552
<b>Total Current Assets</b>	29,939,029	32,443,704
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	4,722,504	4,747,233
Accumulated Depreciation	-2,026,932	-2,108,350
Buildings and Structures, Net	2,695,571	2,638,882
Machinery, Equipment and Vehicles	3,826,069	3,927,686
Accumulated Depreciation	-3,360,809	-3,476,791
Machinery, Equipment and Vehicles, Net	465,260	450,894
Land	1,930,580	1,930,902
Construction in progress	—	85,500
Others	1,071,431	1,080,718
Accumulated Depreciation	-959,930	-966,618
Others, Net	111,500	114,100
<b>Total Property, Plant and Equipment</b>	5,202,912	5,220,279
Intangible Assets	128,516	101,628
Investments and Other Assets		
Investment Securities	1,227,085	1,365,966
Guarantee Deposits	398,405	401,186
Net Defined Benefit Assets	1,473,503	1,499,713
Deferred Tax Assets	12,143	10,193
Others	79,027	79,258
Allowance for Doubtful Accounts	-22,291	-22,071
<b>Total Investments and Other Assets</b>	3,167,873	3,334,245
<b>Total Noncurrent Assets</b>	8,499,302	8,656,154
<b>Total Assets</b>	38,438,331	41,099,859

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>End of Previous Year (October. 31, 2020)</b>	<b>End of Second Quarter (April 30, 2021)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	3,004,198	3,883,874
Electronically Recorded Monetary Debt	2,150,419	1,967,015
Accounts Payable-Others	621,692	653,375
Income Taxes Payable	179,968	600,119
Advances Received	201,993	419,945
Provision for Bonuses	1,231,975	971,167
Provision for Directors' Bonuses	61,555	35,178
Allowance for Product Warranty	236,423	332,033
Others	397,235	437,090
<b>Total Current Liabilities</b>	<b>8,085,462</b>	<b>9,299,799</b>
<b>Noncurrent Liabilities</b>		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	71,219	64,011
Deferred Tax Liabilities	607,445	644,804
<b>Total Noncurrent Liabilities</b>	<b>684,124</b>	<b>714,275</b>
<b>Total Liabilities</b>	<b>8,769,587</b>	<b>10,014,075</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	27,107,252	28,321,355
Treasury Stock	-363,977	-364,081
<b>Total Shareholders' Equity</b>	<b>29,287,895</b>	<b>30,501,894</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	307,456	416,135
Deferred Gains or Losses on Hedges	-1,566	2,398
Foreign Currency Translation Adjustment	92,854	189,676
Total Adjustment on Net Defined Benefit	-17,896	-24,321
<b>Total Accumulated Other Comprehensive Income</b>	<b>380,848</b>	<b>583,889</b>
<b>Total Net Assets</b>	<b>29,668,743</b>	<b>31,085,783</b>
<b>Total Liabilities and Net Assets</b>	<b>38,438,331</b>	<b>41,099,859</b>

(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, 2020	Second Quarter Ended April 30, 2021
<b>Net Sales</b>	19,933,464	23,048,240
<b>Cost of Sales</b>	15,168,940	17,519,565
<b>Gross Profit</b>	4,764,524	5,528,674
<b>Selling, General and Administrative Expenses</b>	3,368,708	3,594,090
<b>Operating Income</b>	1,395,816	1,934,583
<b>Non-Operating Income</b>		
Interest Income	1,200	1,532
Dividends Income	14,522	13,861
Rent Income	3,585	3,658
Foreign Exchange Gain	—	4,736
Others	10,896	14,742
<b>Total Non-Operating Income</b>	30,204	38,531
<b>Non-Operating Expenses</b>		
Interest Expenses	5,066	1,336
Commission Paid	7,495	7,487
Sales Discount	3,219	3,237
Foreign Exchange Loss	15,848	—
Others	3,873	2,334
<b>Total Non-Operating Expenses</b>	35,503	14,396
<b>Ordinary Income</b>	1,390,517	1,958,718
<b>Extraordinary Profits</b>		
Gain on Sale of Investment Securities	—	23,927
Gain on Liquidation of Affiliated Company	—	62,996
<b>Total Extraordinary Profits</b>	—	86,924
<b>Extraordinary Losses</b>		
Loss on Evaluation of Investment Securities	1,921	—
<b>Total Extraordinary Losses</b>	1,921	—
Income before Income Taxes and Minority Interests	1,388,596	2,045,642
Income Taxes-Current	270,313	579,427
Income Taxes-Deferred	208,880	7,642
<b>Total Income Taxes</b>	479,193	587,070
<b>Net Income or Net Loss (-)</b>	909,402	1,458,572
<b>Net Income or Net Loss (-) Attributable to Owners of the Parent</b>	909,402	1,458,572

Quarterly Consolidated Statement of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2020	Second Quarter Ended April 30, 2021
<b>Net Income</b>	909,402	1,458,572
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-204,806	108,679
Deferred Gains or Losses (-) on Hedges	-4,195	3,965
Foreign Currency Translation Adjustment	16,083	96,821
Net Defined Benefit	-9,168	-6,424
Total Other Comprehensive Income	-202,086	203,041
<b>Comprehensive Income</b>	707,316	1,661,613
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	707,316	1,661,613

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of Yen)

	Second Quarter Ended April 30, 2020	Second Quarter Ended April 30, 2021
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes	1,388,596	2,045,642
Depreciation and Amortization	169,817	193,093
Increase (Decrease) in Provision for Bonuses	(330,778)	(261,230)
Increase (Decrease) in Provision for Directors' Bonuses	(45,049)	(26,377)
Increase (Decrease) in Allowance for Product Warranty	(26,492)	95,609
Increase (Decrease) in Net Defined Benefit Liability	1,146	(7,207)
Decrease (Increase) in Net Defined Benefit Asset	(22,525)	(26,209)
Increase (Decrease) in Allowance for Doubtful Accounts	(1,334)	(211)
Interests and Dividends Income	(15,723)	(15,393)
Interest Expenses	5,066	1,336
Foreign Exchange Loss (Gain)	13,649	(31,568)
Loss on Sale of Investment Securities (Gain)	—	(23,927)
Loss on Valuation in Investment Securities (Gain)	1,921	—
Loss on Liquidation of Affiliated Company (Gain)	—	(62,996)
Decrease (Increase) in Notes and Accounts Receivable-Trade	(73,958)	(74,054)
Decrease (Increase) in Inventories	(737,074)	619,723
Increase (Decrease) in Notes and Accounts Payable-Trade	(74,006)	622,742
Increase (Decrease) in Accounts Payable-Others	(135,213)	42,330
Increase (Decrease) in Advances Received	332,283	216,355
Others, Net	182,064	39,060
Sub Total	632,387	3,346,716
Interests and Dividends Income Received	15,806	15,397
Interest Expenses Paid	(5,073)	(1,343)
Income Taxes Returned (Paid)	(486,088)	(173,997)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>157,031</b>	<b>3,186,771</b>

(Thousands of Yen)

	Second Quarter Ended April 30, 2020	Second Quarter Ended April 30, 2021
<b>Net Cash Provided by (Used in) Investment Activities</b>		
Disbursement to Time Deposits	(8,000,000)	(8,000,000)
Withdrawal from Time Deposits	4,000,000	4,000,000
Purchase of Property, Plant and Equipment	(237,462)	(169,134)
Proceeds from Sale of Property, Plant and Equipment	—	9,265
Purchase of Intangible Fixed Assets	(23,436)	(4,198)
Purchase of Investment Securities	(10,786)	(10,448)
Proceeds from Sale of Investment Securities	—	47,889
Payments of Loans Receivable	(920)	(720)
Collection of Loans Receivable	2,015	760
Guarantee Deposits (Increase)	(48,554)	(598)
Others, Net	(1,692)	141
<b>Net Cash Provided by (Used in) Investment Activities</b>	<b>(4,320,837)</b>	<b>(4,127,042)</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Purchase of Treasury Stock	—	(104)
Cash Dividends Paid	(234,490)	(244,469)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(234,490)</b>	<b>(244,573)</b>
<b>Cash and Cash Equivalents</b>		
Effect of Exchange Rate Change on Cash and Cash Equivalents	3,124	61,184
Net Increase (Decrease) in Cash and Cash Equivalents	(4,395,172)	(1,123,660)
Cash and Cash Equivalents at Beginning of Period	12,147,981	11,857,553
Cash and Cash Equivalents at End of This Quarter	7,752,808	10,733,893

#### (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, 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.

#### Second Quarter Ended April 30, 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	7,443,720	15,604,519	23,048,240	23,048,240
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	7,443,720	15,604,519	23,048,240	23,048,240
Segment Profit	915,126	1,019,456	1,934,583	1,934,583

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