

# Financial Results for the Third Quarter Ended July 31, 2021 [Japan GAAP] (Consolidated)

Date: September 10, 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: September 14, 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 Third Quarter Ended July 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 July 31, 2021	33,416	17.6	2,190	34.6	2,235	35.5
Quarter Ended July 31, 2020	28,424	-8.8	1,627	-12.0	1,649	-12.2

	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 July 31, 2021	1,670	55.4	167. <sup>46</sup>	—
Quarter Ended July 31, 2020	1,075	-15.2	107. <sup>74</sup>	—

(Note) Comprehensive income

Third Quarter ended July 31, 2021: 1,880 million yen (118.3%) Third Quarter ended July 31, 2020: 861 million yen (-20.9%)

(2) Financial Condition (Consolidated)

	Total Assets (A) (Millions of Yen)	Net Assets (B) (Millions of Yen)	Net Assets Ratio (B) / (A) (Percent)
Quarter Ended July 31, 2021	41,225	31,055	75.3
Year Ended October 31, 2020	38,438	29,668	77.2

(Reference) Net assets

Third Quarter ended July 31, 2021: 31,055 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>50</sup>	—	24. <sup>50</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)

(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	45,000	14.7	2,800	23.9	2,830	23.3

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	2,130	39.0	213. <sup>46</sup>

(Note) Revisions since the most recently released earnings forecast: Yes

#### Notes

(1) Significant changes in subsidiaries during this period (changes in specific subsidiaries involving changes in the scope of consolidation): Yes

Number of new subsidiaries: 1 (Company names): TOMOE Trading (Malaysia) Sdn. Bhd.

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 July 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 July 31, 2021: 554,911 shares

At October 31, 2020: 554,861 shares

3) Number of average shares (accumulated quarterly total)

At July 31, 2021: 9,978,313 shares

At July 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 Financial Results for the Quarter (Attachments) on page 3, (3) [Analysis of Future Forecast on Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast.

## Table of Contents (Supporting Data)

1. Qualitative Information on Quarterly Consolidated Operating Results.....	2
(1) Analysis of Operating Results.....	2
(2) Analysis of Financial Condition.....	3
(3) Analysis of Future Forecast on Consolidated Earnings Forecast.....	3
2. Quarterly Consolidated Financial Statement and Notes.....	4
(1) Quarterly Consolidated Balance Sheet. ....	4
(2) Quarterly Consolidated Statements of Income & Quarterly Consolidated Statements of Comprehensive Income.....	6
Quarterly Consolidated Statements of Income.....	6
Quarterly Consolidated Statements of Comprehensive Income.....	7
(3) Notes on Quarterly Consolidated Financial Statements.....	8
(Note for premise of going concern).....	8
(Notes for significant changes in shareholder's equity).....	8
(Segment information) .....	8

# 1. Qualitative Information on Quarterly Consolidated Operating Results

## (1) Analysis of Operating Results

During the third quarter consolidated period under review, Japan's economy enjoyed a solid start at the beginning of the fiscal year, recovering from the coronavirus pandemic, but growth turned negative at the beginning of the year. However, growth turned positive in recent months reflecting increases in personal consumption, capital investment, and exports that maintained a steady pace. Overseas, China's economy and the US economy both remained brisk, and Europe's economy also maintained a solid growth.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated third quarter increased 17.6% from the same period last year to 33,416 million yen because of increased sales in both the Machinery & Equipment Business and the Chemical Products Business. From an earnings aspect, operating income was 2,190 million yen, 34.6% up from the same period last year because of higher revenue in both the Machinery & Equipment Business and the Chemical Products Business, while ordinary income came to 2,235 million yen, 35.5% up from the same period last year. Net income attributable to owners of the parent was 1,670 million yen, 55.4% 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 cumulative net sales for the last three quarters were 9,226 million yen, 24.0% up from the same period last year. Despite sluggish growth in net sales of machinery for domestic public sector demand, and equipment and construction works for domestic private sector demand, net sales of machinery for domestic private sector demand, and machinery for overseas markets, particularly for China, and components and repair services for all fields rose higher.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	July, 2021	313	1,025	2,214	3,553
	July, 2020	465	1,018	2,005	3,489
	Difference	-151	7	208	64
Private sector	July, 2021	533	4	1,386	1,924
	July, 2020	450	120	1,347	1,918
	Difference	82	-116	38	5
Overseas markets	July, 2021	1,837	0	1,909	3,748
	July, 2020	554	0	1,476	2,031
	Difference	1,283	0	432	1,716
<b>TOTAL</b>	July, 2021	2,685	1,031	5,510	9,226
	July, 2020	1,470	1,139	4,829	7,440
	Difference	1,214	-108	680	1,786

With respect to earnings, operating income was 648 million yen, 11.3% up from the same period one year earlier, reflecting higher revenue in the field of components and repair services which had high margins.

(Chemical Products Business)

In the Chemical Products Business, net sales clearly recovered centered on the motor vehicles sector which was affected severely by the coronavirus pandemic during the second half of last year. Furthermore, net sales of resin and products for domestic and overseas markets in the synthetic resin sector, materials for motor vehicles and construction applications in the industrial materials sector, and materials and additives for UV curing resin and paint and ink applications in the chemical products sector all increased. As a result, consolidated cumulative net sales for the last three quarters were 24,189 million yen, 15.3% up from the same period one year ago.

(Millions of Yen)

	July, 2020	July, 2021	Difference
Synthetic resin sector	4,858	6,184	1,325
Industrial materials sector	6,075	6,870	794
Chemical products sector	4,500	5,204	703
Advanced materials sector	2,517	2,715	197
Electronic materials sector	2,829	3,016	186
Other products (foreign liquor)	201	198	-3
Total	20,984	24,189	3,204

With respect to earnings, operating income was 1,542 million yen, 47.6% up from the same period of the prior year, reflecting higher revenue in the field of industrial materials sector and chemical products sector which had high margins.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated third quarter under review were 41,225 million yen, increased by 2,786 million yen from the end of the previous consolidated fiscal year. This mainly reflected decreases in work in process, and raw materials and supplies, and increases in cash and deposits, electronically recorded monetary claims, and merchandise and finished goods.

Liabilities were 10,169 million yen, increased by 1,400 million yen from the end of the previous consolidated fiscal year, mainly because of increases in notes and accounts payable-trade, and advances received, despite a decrease in provision for bonuses.

Net assets stood at 31,055 million yen, increased by 1,386 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, despite 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 third quarter under review stood at 75.3%, decreased by 1.9 point compared with the end of the previous consolidated fiscal year.

(3) Analysis of Future Forecast on Consolidated Earnings Forecast

The consolidated earnings forecast figures for the fiscal year ended October 31, 2021 were announced in the "Notice on changes in earnings forecast" released on September 10, 2021.

2. Quarterly Consolidated Financial Statement and Notes  
(1) Quarterly Consolidated Balance Sheets (Third Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October 31, 2020)	End of Third Quarter (July 31, 2021)
<b>Current Assets</b>		
Cash and Deposits	11,857,553	13,383,077
Notes and Accounts Receivable-Trade	10,400,639	10,733,420
Electronically Recorded Monetary Claims	2,131,545	3,022,573
Merchandise and Finished Goods	2,605,708	3,311,156
Work in Process	1,684,070	1,114,442
Raw Materials and Supplies	1,066,944	861,871
Others	253,335	246,550
Allowance for Doubtful Accounts	-60,767	-63,590
<b>Total Current Assets</b>	29,939,029	32,609,503
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	4,722,504	4,749,971
Accumulated Depreciation	-2,026,932	-2,146,142
Buildings and Structures, Net	2,695,571	2,603,828
Machinery, Equipment and Vehicles	3,826,069	3,960,288
Accumulated Depreciation	-3,360,809	-3,518,615
Machinery, Equipment and Vehicles, Net	465,260	441,672
Land	1,930,580	1,930,895
Construction in progress	—	85,500
Others	1,071,431	1,092,506
Accumulated Depreciation	-959,930	-981,449
Others, Net	111,500	111,057
<b>Total Property, Plant and Equipment</b>	5,202,912	5,172,954
Intangible Assets	128,516	88,862
Investments and Other Assets		
Investment Securities	1,227,085	1,380,861
Guarantee Deposits	398,405	401,659
Net Defined Benefit Assets	1,473,503	1,513,968
Deferred Tax Assets	12,143	1,467
Others	79,027	77,929
Allowance for Doubtful Accounts	-22,291	-22,071
<b>Total Investments and Other Assets</b>	3,167,873	3,353,815
<b>Total Noncurrent Assets</b>	8,499,302	8,615,632
<b>Total Assets</b>	38,438,331	41,225,135

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>End of Previous Year (October. 31, 2020)</b>	<b>End of Third Quarter (July 31, 2021)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	3,004,198	4,045,748
Electronically Recorded Monetary Debt	2,150,419	1,994,300
Accounts Payable-Others	621,692	670,003
Income Taxes Payable	179,968	348,318
Advances Received	201,993	485,923
Provision for Bonuses	1,231,975	894,240
Provision for Directors' Bonuses	61,555	58,248
Allowance for Product Warranty	236,423	361,908
Others	397,235	557,699
<b>Total Current Liabilities</b>	<b>8,085,462</b>	<b>9,416,390</b>
<b>Noncurrent Liabilities</b>		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	71,219	65,736
Deferred Tax Liabilities	607,445	682,095
<b>Total Noncurrent Liabilities</b>	<b>684,124</b>	<b>753,291</b>
<b>Total Liabilities</b>	<b>8,769,587</b>	<b>10,169,681</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	28,284,325
Treasury Stock	-363,977	-364,081
<b>Total Shareholders' Equity</b>	<b>29,287,895</b>	<b>30,464,864</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	307,456	421,169
Deferred Gains or Losses on Hedges	-1,566	-875
Foreign Currency Translation Adjustment	92,854	197,828
Total Adjustment on Net Defined Benefit	-17,896	-27,533
<b>Total Accumulated Other Comprehensive Income</b>	<b>380,848</b>	<b>590,589</b>
<b>Total Net Assets</b>	<b>29,668,743</b>	<b>31,055,453</b>
<b>Total Liabilities and Net Assets</b>	<b>38,438,331</b>	<b>41,225,135</b>

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

Quarterly Consolidated Statements of Income (Third Quarter)

(Thousands of Yen)

	Third Quarter Ended July 31, 2020	Third Quarter Ended July 31, 2021
Net Sales	28,424,603	33,416,070
Cost of Sales	21,783,810	25,853,523
<b>Gross Profit</b>	<b>6,640,792</b>	<b>7,562,547</b>
Selling, General and Administrative Expenses	5,013,301	5,372,325
<b>Operating Income</b>	<b>1,627,491</b>	<b>2,190,221</b>
<b>Non-Operating Income</b>		
Interest Income	2,278	1,997
Dividends Income	31,540	31,627
Rent Income	5,378	5,488
Foreign Exchange Gain	—	6,418
Others	25,605	18,819
<b>Total Non-Operating Income</b>	<b>64,802</b>	<b>64,352</b>
<b>Non-Operating Expenses</b>		
Interest Expenses	6,005	1,835
Commission Paid	8,252	8,243
Sales Discount	4,701	4,816
Foreign Exchange Losses	18,887	—
Others	5,364	4,536
<b>Total Non-Operating Expenses</b>	<b>43,211</b>	<b>19,432</b>
<b>Ordinary Income</b>	<b>1,649,082</b>	<b>2,235,140</b>
<b>Extraordinary Profits</b>		
Profit on Sales of Investment Securities	—	23,927
Gain on Liquidation of Affiliated Company	—	62,996
<b>Total Extraordinary Profits</b>	<b>—</b>	<b>86,924</b>
<b>Extraordinary Losses</b>		
Loss on Valuation of Investment Securities	1,861	—
<b>Total Extraordinary Losses</b>	<b>1,861</b>	<b>—</b>
Income before Income Taxes	1,647,221	2,322,065
Income Taxes-Current	292,903	596,681
Income Taxes-Deferred	279,209	54,383
<b>Total Income Taxes</b>	<b>572,113</b>	<b>651,065</b>
<b>Net Income</b>	<b>1,075,108</b>	<b>1,670,999</b>
<b>Net Income</b>	<b>1,075,108</b>	<b>1,670,999</b>
<b>Attributable to Owners of the Parent</b>	<b>1,075,108</b>	<b>1,670,999</b>

Quarterly Consolidated Statements of Comprehensive Income (Third Quarter)

(Thousands of Yen)

	Third Quarter Ended July 31, 2020	Third Quarter Ended July 31, 2021
Net Income	1,075,108	1,670,999
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-204,354	113,713
Deferred Gains or Losses (-) on Hedges	-1,360	691
Foreign Currency Translation Adjustment	6,001	104,974
Adjustment on Net Defined Benefit	-13,752	-9,637
Total Other Comprehensive Income	-213,465	209,741
<b>Comprehensive Income</b>	861,642	1,880,741
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	861,642	1,880,741

### (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]

#### I Third Quarter Ended July 31, 2020

Information Pertaining to the Amount of Net Sales or Net 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	7,440,245	20,984,358	28,424,603	28,424,603
Internal Net Sales among Segments or Amount Transferred	—	—	—	—
Total	7,440,245	20,984,358	28,424,603	28,424,603
Segment Profit	582,381	1,045,110	1,627,491	1,627,491

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

#### II Third Quarter Ended July 31, 2021

Information Pertaining to the Amount of Net Sales or Net 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	9,226,753	24,189,316	33,416,070	33,416,070
Internal Net Sales among Segments or Amount Transferred	—	—	—	—
Total	9,226,753	24,189,316	33,416,070	33,416,070
Segment Profit	648,089	1,542,131	2,190,221	2,190,221

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