

# Financial Results for the Second Quarter Ended April 30, 2022 [Japan GAAP] (Consolidated)

Date: June 10, 2022  
 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, 2022  
 Date for Dividend Payment: July 11, 2022  
 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, 2022

(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, 2022	21,972	-	1,802	-6.8	1,879	-4.1
Quarter Ended April 30, 2021	23,048	15.6	1,934	38.6	1,958	40.9

	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, 2022	1,595	9.4	159. <sup>94</sup>	-
Quarter Ended April 30, 2021	1,458	60.4	146. <sup>17</sup>	-

(Note) Comprehensive income

Second Quarter ended April 30, 2022: 1,763 million yen (6.1%)    Second Quarter ended April 30, 2021: 1,661 million yen (134.9%)

(Note) We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of the consolidated first quarter, and the figures for the fiscal year ending October 31, 2022, are figures after applying the said accounting standard. Because a significant impact on net sales arises, the year-on-year percentage change in net sales is not shown.

(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, 2022	44,870	33,355	74.3
Year Ended October 31, 2021	43,254	31,841	73.6

(Reference) Net assets

Second Quarter ended April 30, 2022: 33,355 million yen    Year Ended October 31, 2021: 31,841 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, 2021	-	25. <sup>00</sup>	-	25. <sup>00</sup>	50. <sup>00</sup>
Year Ending October 31, 2022	-	25. <sup>00</sup>	-	25. <sup>00</sup>	50. <sup>00</sup>
Year Ending October 31, 2022 (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, 2022 (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	39,650	-	2,390	-16.0	2,400	-17.4

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	1,960	-7.0	196.43

(Note) Revisions since the most recently released earnings forecast: None

We have applied Accounting Standard for Revenue Recognition from the beginning of the consolidated first quarter, and the forecasts are based on the said accounting standard. Because a significant impact on net sales arises, the percentage change against the net sales result for the fiscal year ended October 31, 2021, before application of the said standard, is not shown.

#### 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: Yes

2) Other changes than the above 1): None

3) Change in accounting estimates: None

4) Retrospective restatements: None

Please refer to the Attachments for the details on page 11, (3) [Notes on Quarterly Consolidated Financial Statements] of 2. [Quarterly Consolidated Financial Statements and Notes].

(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, 2022: 10,533,200 shares                      At October 31, 2021: 10,533,200 shares

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

At April 30, 2022: 554,940 shares                      At October 31, 2021: 554,911 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2022: 9,978,278 shares                      At April 30, 2021: 9,978,325 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 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 of the current consolidated fiscal year, although Japan's economy initially got off to good start, it shifted to negative growth on factors including slumps in public investment and residential investment as well as personal consumption's coming to a standstill due to a resurgence of COVID-19 infections from January onward. On the other hand, overseas, although the U.S. economy has remained strong and the European economy has recovered moderately, the growth rate in the Chinese economy has slowed.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated second quarter were 21,972 million yen. From an earnings aspect, operating income was 1,802 million yen, 6.8% down from the same period last year because of lower income in the Machinery & Equipment Business, while ordinary income came to 1,879 million yen, 4.1% down from the same period last year. Net income attributable to owners of the parent was 1,595 million yen, 9.4% up from the same period last year reflecting appropriation of profit on sales of noncurrent assets. As for the effect on net sales due to the change of the revenue recognition standard, net sales decreased 90 million yen in the Machinery & Equipment Business and 3,215 million yen in the Chemical Products Business respectively.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, net sales of equipment and construction works for domestic public sector demand, machinery for domestic private sector demand and overseas markets, and components and repair services for all fields were stagnant, despite growth in net sales of machinery for domestic public sector demand.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	April, 2021 (previous standard)	284	973	2,078	3,336
	April, 2022 (new standard)	473	550	1,932	2,956
	April, 2022 (previous standard) *	473	733	1,932	3,139
Private sector	April, 2021 (previous standard)	291	0	1,010	1,301
	April, 2022 (new standard)	141	59	971	1,171
	April, 2022 (previous standard) *	141	0	971	1,112
Overseas markets	April, 2021 (previous standard)	1,499	0	1,306	2,806
	April, 2022 (new standard)	465	34	955	1,454
	April, 2022 (previous standard) *	466	0	955	1,422
TOTAL	April, 2021 (previous standard)	2,074	974	4,394	7,443
	April, 2022 (new standard)	1,079	643	3,859	5,583
	April, 2022 (previous standard) *	1,081	733	3,859	5,674

\*For net sales in the consolidated quarter under review, the asterisk mark indicates the figure revised due to the effect of the change of the revenue recognition standard.

With respect to earnings, operating income was 574 million yen, 37.2% down from the same period one year earlier, reflecting sluggish net sales of equipment and construction works, components and repair services for domestic public sector demand, and machinery, components and repair services for overseas markets.

(Chemical Products Business)

In the Chemical Products Business, net sales of materials mainly for building and fireproof in the industrial materials and mineral products sectors, materials for paint and ink applications in the fine chemical products sector, and materials for semiconductor manufacturing devices in the electronic materials sector, and of all other sectors expanded.

(Millions of Yen)

	April, 2021 (previous standard)	April, 2022 (new standard)	April, 2022 (previous standard) *
Synthetic resin sector	3,977	2,382	4,779
Industrial materials sector	2,292	3,122	3,323
Mineral products sector	2,194	2,362	2,362
Chemical products sector	3,314	3,976	4,362
Advanced materials sector	1,727	1,931	2,130
Electronic materials sector	1,964	2,491	2,523
Other products (foreign liquor)	134	122	122
Total	15,604	16,389	19,605

\*For net sales in the consolidated quarter under review, the asterisk mark indicates the figure revised due to the effect of the change of the revenue recognition standard.

With respect to earnings during the period, operating income was 1,227 million yen, 20.4% up from the same period one year earlier, reflecting strong sales in all sectors.

## (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 44,870 million yen, increased by 1,616 million yen from the end of the previous consolidated fiscal year. This mainly reflected the decrease in cash and deposits, and investment securities, in addition to the increase in electronically recorded monetary claims, and merchandise and finished goods.

Liabilities were 11,514 million yen, increased by 102 million yen from the end of the previous consolidated fiscal year, mainly because of the increase in contract liabilities against advances received, and electronically recorded monetary debt, despite the decrease in provision for bonuses, and income taxes payable.

Net assets stood at 33,355 million yen, increased by 1,514 million from the end of the previous consolidated fiscal year. This mainly reflected the 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 74.3%, increased by 0.7 point from 73.6% 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 5,412 million yen from the end of the previous consolidated fiscal year to 7,194 million yen, reflecting cash flow used by operating activities, investment activities and financing activities respectively. 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 used by operating activities during the consolidated second quarter under review totaled 1,507 million yen. This mainly reflected the increase of notes, accounts receivable-trade and contract assets by 1,666 million yen, and inventory by 1,226 million yen, and payment of income taxes by 719 million yen, despite the increase of income before income taxes by 2,335 million yen, and contract liabilities by 664 million yen. Net cash provided by operating activities decreased by 4,694 million yen compared to 3,186 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 3,794 million yen. This reflected a difference of 4,000 million yen between deposits and disbursements to time deposits, despite the proceeds from sale of property, plant and equipment. Net cash used by investing activities decreased by 332 million yen compared to 4,127 million yen used for the same consolidated quarter year-to-date period of the previous year.

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

Net cash used by financing activities during the consolidated second quarter under review came to 249 million yen. This reflected the payment of cash dividends of 249 million yen. Net cash used in investing activities increased by 4 million yen compared 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, 2022 that were announced in the “Financial Results for the Fiscal Year Ended October 31, 2021 [Japan GAAP]” released on December 14, 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, 2021)	End of Second Quarter (April 30, 2022)
<b>Current Assets</b>		
Cash and Deposits	12,607,490	11,194,949
Notes and Accounts Receivable-Trade	11,694,334	–
Notes, Accounts Receivable-Trade and Contract Assets	–	12,217,941
Electronically Recorded Monetary Claims	3,279,411	4,510,199
Merchandise and Finished Goods	3,589,851	4,450,778
Work in Process	1,290,848	1,459,198
Raw Materials and Supplies	743,778	1,010,166
Others	263,549	256,106
Allowance for Doubtful Accounts	-64,455	-70,534
<b>Total Current Assets</b>	<b>33,404,810</b>	<b>35,028,807</b>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	5,236,376	5,086,196
Accumulated Depreciation	-2,183,281	-2,116,315
Buildings and Structures, Net	3,053,095	2,969,880
Machinery, Equipment and Vehicles	3,992,687	4,118,781
Accumulated Depreciation	-3,555,668	-3,719,650
Machinery, Equipment and Vehicles, Net	437,019	399,131
Land	2,302,076	2,302,547
Construction in progress	16,246	69,046
Others	1,097,469	1,131,481
Accumulated Depreciation	-995,989	-1,029,114
Others, Net	101,480	102,367
<b>Total Property, Plant and Equipment</b>	<b>5,909,917</b>	<b>5,842,973</b>
Intangible Assets	81,073	74,187
Investments and Other Assets		
Investment Securities	1,425,438	1,318,604
Guarantee Deposits	402,260	551,528
Net Defined Benefit Assets	1,956,842	1,984,380
Deferred Tax Assets	13,508	7,370
Others	82,045	84,692
Allowance for Doubtful Accounts	-21,892	-21,992
<b>Total Investments and Other Assets</b>	<b>3,858,203</b>	<b>3,924,582</b>
<b>Total Noncurrent Assets</b>	<b>9,849,194</b>	<b>9,841,743</b>
<b>Total Assets</b>	<b>43,254,004</b>	<b>44,870,551</b>

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>End of Previous Year (October. 31, 2021)</b>	<b>End of Second Quarter (April 30, 2022)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	4,208,592	4,272,370
Electronically Recorded Monetary Debt	2,306,052	2,447,777
Accounts Payable-Others	685,729	718,999
Income Taxes Payable	775,198	616,801
Advances Received	308,942	-
Contract Liabilities	-	976,759
Provision for Bonuses	1,406,031	1,009,869
Provision for Directors' Bonuses	80,979	42,552
Allowance for Product Warranty	363,270	224,646
Others	536,079	338,908
<b>Total Current Liabilities</b>	<b>10,670,876</b>	<b>10,648,685</b>
<b>Noncurrent Liabilities</b>		
Provision for Directors' Retirement Benefits	5,460	5,460
Net Defined Benefit Liabilities	67,772	68,624
Deferred Tax Liabilities	668,441	792,153
<b>Total Noncurrent Liabilities</b>	<b>741,673</b>	<b>866,237</b>
<b>Total Liabilities</b>	<b>11,412,550</b>	<b>11,514,922</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	28,721,695	30,068,189
Treasury Stock	-364,081	-364,148
<b>Total Shareholders' Equity</b>	<b>30,902,234</b>	<b>32,248,660</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	450,885	371,132
Deferred Gains or Losses on Hedges	7,785	16,043
Foreign Currency Translation Adjustment	213,842	475,463
Total Adjustment on Net Defined Benefit	266,705	244,328
<b>Total Accumulated Other Comprehensive Income</b>	<b>939,220</b>	<b>1,106,967</b>
<b>Total Net Assets</b>	<b>31,841,454</b>	<b>33,355,628</b>
<b>Total Liabilities and Net Assets</b>	<b>43,254,004</b>	<b>44,870,551</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, 2021	Second Quarter Ended April 30, 2022
<b>Net Sales</b>	23,048,240	21,972,451
<b>Cost of Sales</b>	17,519,565	16,410,974
<b>Gross Profit</b>	5,528,674	5,561,476
<b>Selling, General and Administrative Expenses</b>	3,594,090	3,759,268
<b>Operating Income</b>	1,934,583	1,802,208
<b>Non-Operating Income</b>		
Interest Income	1,532	759
Dividends Income	13,861	17,633
Rent Income	3,658	3,658
Foreign Exchange Gain	4,736	43,654
Others	14,742	21,291
<b>Total Non-Operating Income</b>	38,531	86,997
<b>Non-Operating Expenses</b>		
Interest Expenses	1,336	1,232
Commission Paid	7,487	7,487
Sales Discount	3,237	-
Others	2,334	1,236
<b>Total Non-Operating Expenses</b>	14,396	9,956
<b>Ordinary Income</b>	1,958,718	1,879,248
<b>Extraordinary Profits</b>		
Profit on Sales of Noncurrent Assets	-	456,447
Gain on Sale of Investment Securities	23,927	-
Gain on Liquidation of Affiliated Company	62,996	-
<b>Total Extraordinary Profits</b>	86,924	456,447
Income before Income Taxes and Minority Interests	2,045,642	2,335,696
Income Taxes-Current	579,427	569,249
Income Taxes-Deferred	7,642	170,496
<b>Total Income Taxes</b>	587,070	739,746
<b>Net Income or Net Loss (-)</b>	1,458,572	1,595,950
<b>Net Income or Net Loss (-)</b> <i>Attributable to Owners of the Parent</i>	1,458,572	1,595,950

Quarterly Consolidated Statement of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2021	Second Quarter Ended April 30, 2022
<b>Net Income</b>	1,458,572	1,595,950
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	108,679	-79,753
Deferred Gains or Losses (-) on Hedges	3,965	8,258
Foreign Currency Translation Adjustment	96,821	261,621
Net Defined Benefit	-6,424	-22,377
Total Other Comprehensive Income	203,041	167,747
<b>Comprehensive Income</b>	1,661,613	1,763,698
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	1,661,613	1,763,698

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of Yen)

	Second Quarter Ended April 30, 2021	Second Quarter Ended April 30, 2022
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes	2,045,642	2,335,696
Depreciation and Amortization	193,093	181,288
Increase (Decrease) in Provision for Bonuses	(261,230)	(397,617)
Increase (Decrease) in Provision for Directors' Bonuses	(26,377)	(38,427)
Increase (Decrease) in Allowance for Product Warranty	95,609	(138,624)
Increase (Decrease) in Net Defined Benefit Liability	(7,207)	851
Decrease (Increase) in Net Defined Benefit Asset	(26,209)	(27,537)
Increase (Decrease) in Allowance for Doubtful Accounts	(211)	287
Interests and Dividends Income	(15,393)	(18,393)
Interest Expenses	1,336	1,232
Foreign Exchange Loss (Gain)	(31,568)	(15,820)
Loss on Sale of Noncurrent Assets (Gain)	—	(456,447)
Loss on Sale of Investment Securities (Gain)	(23,927)	—
Loss on Liquidation of Affiliated Company (Gain)	(62,996)	—
Decrease (Increase) in Notes and Accounts Receivable-Trade	(74,054)	—
Decrease (Increase) in Notes, Accounts Receivable-Trade and Contract Assets	—	(1,666,043)
Decrease (Increase) in Inventories	619,723	(1,226,302)
Increase (Decrease) in Notes and Accounts Payable-Trade	622,742	151,044
Increase (Decrease) in Accounts Payable-Others	42,330	57,179
Increase (Decrease) in Advances Received	216,355	—
Increase (Decrease) in Contract Liabilities	—	664,626
Increase (Decrease) in Consumption Taxes Payable	85,143	(166,407)
Others, Net	(46,083)	(46,615)
Sub Total	3,346,716	(806,028)
Interests and Dividends Income Received	15,397	18,436
Interest Expenses Paid	(1,343)	(1,239)
Income Taxes Returned (Paid)	(173,997)	(719,015)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>3,186,771</b>	<b>(1,507,847)</b>

(Thousands of Yen)

	Second Quarter Ended April 30, 2021	Second Quarter Ended April 30, 2022
<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	(169,134)	(119,392)
Proceeds from Sale of Property, Plant and Equipment	9,265	491,734
Purchase of Intangible Fixed Assets	(4,198)	(13,412)
Purchase of Investment Securities	(10,448)	(7,334)
Proceeds from Sale of Investment Securities	47,889	—
Payments of Loans Receivable	(720)	(540)
Collection of Loans Receivable	760	610
Guarantee Deposits (Increase)	(598)	(145,021)
Others, Net	141	(1,426)
<b>Net Cash Provided by (Used in) Investment Activities</b>	<b>(4,127,042)</b>	<b>(3,794,782)</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Purchase of Treasury Stock	(104)	(66)
Cash Dividends Paid	(244,469)	(249,457)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(244,573)</b>	<b>(249,524)</b>
<b>Cash and Cash Equivalents</b>		
Effect of Exchange Rate Change on Cash and Cash Equivalents	61,184	139,612
Net Increase (Decrease) in Cash and Cash Equivalents	(1,123,660)	(5,412,541)
Cash and Cash Equivalents at Beginning of Period	11,857,553	12,607,490
Cash and Cash Equivalents at End of This Quarter	10,733,893	7,194,949

#### **(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.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; hereinafter referred to as Accounting Standard for Revenue Recognition) from the beginning of the consolidated first quarter under review, and when control of the promised goods or services is transferred to the customer, we recognize as revenue the amount expected to be received in exchange for the said goods or services. As a result, for recognition of revenue, mainly the following changes have arisen.

1) Performance obligation identification and transaction price allocation

Regarding construction contracts that include machinery sales and construction, we have changed to the method of allocating transaction prices on the basis of standalone selling prices after recognizing the performance obligations relating to machinery sales and construction as separate performance obligations, and then recognizing revenue when each of the performance obligations is satisfied.

2) Revenue recognition for construction contracts

In the past, regarding construction contracts for which the outcomes of the construction activities were deemed certain during the courses of the activities, we applied the percentage-of-completion method, and for other construction contracts, we applied the completed-contract method. However, we have changed to the method of recognizing revenue over a specified period of time as the performance obligations are satisfied. Furthermore, regarding construction for which the percent complete relating to satisfying the performance obligation cannot reasonably be estimated, we recognize revenue based on the completed-contract method.

3) Revenue recognition for agent transactions

Regarding transactions for which it is judged that the Company's performance obligations in the contracts with customers are agent services to make arrangement for goods or services to be provided by other principals, we record revenue on a net basis by offsetting net sales to customers that were formerly recorded on a gross basis with the corresponding costs of sales.

4) Sales discounts

Sales discounts, which we formerly included in non-operating expenses, are deducted from net sales.

Regarding application of Accounting Standard for Revenue Recognition, we comply with the transitional treatment prescribed in the Article 84 provision of Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the consolidated first quarter has been added to or subtracted from the retained earnings at the beginning of the quarter under review, and we apply the new accounting policy beginning from the relevant balance at the beginning of the period. However, applying the method prescribed in Article 86 of Accounting Standard for Revenue Recognition, we have not retroactively applied the new accounting policy to contracts for which almost all the revenue amounts were recognized in compliance with the prior treatment until before the beginning of the consolidated first quarter under review.

As a result, in the second quarter of the current consolidated fiscal year, net sales decreased 3,306,598,000 yen, cost of sales decreased 3,301,825,000 yen, operating income decreased 4,773,000 yen, and ordinary income and income before income taxes and minority interests decreased 821,000 yen.

Because we applied Accounting Standard for Revenue Recognition, the notes and accounts receivable-trade that were shown under current assets in the consolidated balance sheet for the previous consolidated fiscal year are shown included in notes and accounts receivable - trade, and contract assets beginning from the consolidated first quarter. In addition, the advances received that were shown under current assets are shown included in contract liabilities. Increase (decrease) in notes and accounts receivable-trade, which was shown in net cash provided by (used in) operating activities in the quarterly consolidated statement of cash flows for the second quarter of the previous consolidated fiscal year, is shown included in increase (decrease) in notes, accounts receivable-trade and contract assets from the consolidated second quarter under review, and increase (decrease) in advances received is shown included in increase (decrease) in contract liabilities. Furthermore, in compliance with the transitional treatment prescribed in Article 89-2 of Accounting Standard for Revenue Recognition, for the previous consolidated fiscal year and the second quarter of the previous consolidated fiscal year, we have not performed a restatement by using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

We have applied Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; hereinafter referred to as Accounting Standard for Fair Value Measurement) from the beginning of the consolidated first quarter under review, and in compliance with the transitional treatment prescribed in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10), we will in the future apply the new accounting policy prescribed by Accounting Standard for Fair Value Measurement. Furthermore, there is no effect on the quarterly consolidated financial statements.

(Changes in presentation method)

(Quarterly consolidated statement of cash flow)

Since increase (decrease) in accrued consumption taxes, which was included in others, net under net cash provided by (used in) operating activities in the second quarter of the previous consolidated fiscal year, increased in quantitative materiality, we present it separately beginning from the consolidated second quarter under review. To reflect this presentation method change, we have performed a reclassification of the quarterly consolidated financial statements for the second quarter of the previous consolidated fiscal year.

As a result, we have reclassified the 39,060,000 yen shown in others, net under net cash provided by (used in) operating activities in the quarterly consolidated statement of cash flows for the second quarter of the previous consolidated fiscal year as 85,143,000 yen in increase (decrease) in accrued consumption taxes and (46,083,000) yen in others, net.

(Segment information, etc.)

[Segment information]

**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.

**Second Quarter Ended April 30, 2022**

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	5,583,096	16,389,354	21,972,451	21,972,451
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,583,096	16,389,354	21,972,451	21,972,451
Segment Profit	574,586	1,227,622	1,802,208	1,802,208

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