

# Financial Results for the Second Quarter Ended April 30, 2023 [Japan GAAP] (Consolidated)

Date: June 12, 2023  
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309  
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Date to report Quarterly Consolidated Financial Statement: June 14, 2023

Date for Dividend Payment: July 10, 2023

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, 2023

(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, 2023	24,155	9.9	2,062	14.5	2,075	10.4
Quarter Ended April 30, 2022	21,972	-	1,802	-6.8	1,879	-4.1

	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, 2023	1,416	-11.3	141. <sup>91</sup>	-
Quarter Ended April 30, 2022	1,595	9.4	159. <sup>94</sup>	-

(Note) Comprehensive income

Second Quarter ended April 30, 2023: 1,240 million yen (-29.8%) Second Quarter ended April 30, 2022: 1,763 million yen (6.1%)

(Note) We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) from the beginning of the consolidated first quarter of the previous fiscal year ending October 31, 2022. 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, 2023	47,005	35,349	75.2
Year Ended October 31, 2022	45,742	34,387	75.2

(Reference) Net assets

Second Quarter ended April 30, 2023: 35,349 million yen Year Ended October 31, 2022: 34,387 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, 2022	-	25. <sup>00</sup>	-	28. <sup>00</sup>	53. <sup>00</sup>
Year Ending October 31, 2023	-	40. <sup>00</sup>	-	-	-
Year Ending October 31, 2023 (Prospect)	-	-	-	40. <sup>00</sup>	80. <sup>00</sup>

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

### 3. Forecast for Earnings for the Year Ending October 31, 2023 (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	48,460	6.3	3,590	8.8	3,600	5.2

	Net Income Attributable to Owners of the Parent		Net Income per Share
	(Millions of Yen)	(Percent)	Yen
Full Business Year	2,430	-8.6	243. <sup>53</sup>

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

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, 2023: 10,533,200 shares                      At October 31, 2022: 10,533,200 shares

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

At April 30, 2023: 554,940 shares                      At October 31, 2022: 554,940 shares

3) Number of average shares (accumulated quarterly total)

At April 30, 2023: 9,978,260 shares                      At April 30, 2022: 9,978,278 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, Japan's economy struggled to grow at the beginning of the period, reflecting negative growth in exports, but the economy recorded positive growth against a backdrop of growth in personal consumption and capital investment. On the other hand, overseas, the U.S. economy remained strong despite its lower growth rate, the Chinese economy entered a recovery trend, and the European economy showed deceleration in growth rate.

Given these circumstances, net sales for the Tomoe Engineering Group for the consolidated second quarter were 24,155 million yen, increased by 9.9% over the same period of the previous year, mainly reflecting increased net sales in the Chemical Products Business. From an earnings aspect, operating income was 2,062 million yen, 14.5% up from the same period of the previous year because of higher income in the Chemical Products Business, while ordinary income came to 2,075 million yen, 10.4% up over the same period of a year earlier. However, net income attributable to owners of the parent was 1,416 million yen, 11.3% down from the same period of a year earlier reflecting no appropriation of profit on sales of noncurrent assets that was appropriated in the previous fiscal year.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated year-to-date net sales for the second quarter were 5,798 million yen, 3.8% up from the same period of a year earlier. Despite sluggish growth in net sales for domestic public sector demand as a whole, net sales of machinery rose drastically, and net sales of equipment and construction works, and components and repair services also rose for overseas markets, and furthermore, net sales of machinery for domestic private sector demand remained strong.

(Millions of Yen)

	Product classification	Machinery	Equipment and construction works	Components and repair services	TOTAL
Public sector	April, 2022	473	550	1,932	2,956
	April, 2023	343	422	1,791	2,556
	Difference	-130	-127	-141	-399
Private sector	April, 2022	141	59	971	1,171
	April, 2023	219	2	975	1,197
	Difference	78	-56	4	26
Overseas markets	April, 2022	465	34	955	1,454
	April, 2023	915	87	1,041	2,043
	Difference	450	52	85	588
<b>TOTAL</b>	April, 2022	1,079	643	3,859	5,583
	April, 2023	1,478	512	3,807	5,798
	Difference	398	-131	-51	214

With respect to earnings, operating income was 327 million yen, 42.9% down from the same period of a year earlier, mainly reflecting sluggish net sales for domestic public sector demand.

(Chemical Products Business)

In the Chemical Products Business, consolidated year-to-date net sales for the second quarter were 18,357 million yen, 12.0% up from the same period of a year earlier. Net sales of materials for semiconductor manufacturing devices in advanced materials sector rose drastically, and net sales of materials mainly for building and motor vehicles in the mineral products sector, materials mainly for paint and ink applications in the chemical products sector, and materials for resin and products in the synthetic resin sector expanded.

(Millions of Yen)

	April, 2022	April, 2023	Difference
Synthetic resin sector	2,382	2,582	199
Industrial materials sector	3,122	2,983	-139
Mineral products sector	2,362	2,897	535
Chemical products sector	3,976	4,224	248
Advanced materials sector	1,931	3,016	1,085
Electronic materials sector	2,491	2,518	26
Other products (foreign liquor)	122	134	11
Total	16,389	18,357	1,967

With respect to earnings during the period, operating income was 1,735 million yen, 41.3% up from the same period of a year earlier, reflecting strong sales.

## **(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 47,005 million yen, increased by 1,263 million yen from the end of the previous consolidated fiscal year. This reflected increases in electronically recorded monetary claims, and raw materials and supplies, despite decreases in cash and deposits, and merchandise and finished goods.

Liabilities were 11,656 million yen, increased by 301 million yen from the end of the previous consolidated fiscal year, because of increases in contract liabilities, and electronically recorded monetary debt, despite decreases in notes and accounts payable-trade, and provision for bonuses.

Net assets stood at 35,349 million yen, increased by 961 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 75.2%, the same rate 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 403 million yen from the end of the previous consolidated fiscal year to 10,329 million yen, reflecting cash flow used by investment activities and financing activities respectively, despite cash flow provided by operating 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 292 million yen. This mainly reflected increases in notes, accounts receivable-trade and contract assets by 1,052 million yen, inventory by 563 million yen, income before income taxes by 2,087 million yen, and contract liabilities by 601 million yen, despite payment of income taxes by 729 million yen. Net cash provided by operating activities came to 292 million yen compared to 1,507 million yen used 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 came to 291 million yen. This reflected a difference of 200 million yen between deposits and disbursements to time deposits, despite purchase of property, plant and equipment used by 71 million yen. Net cash used by investing activities decreased by 3,503 million yen compared to 3,794 million yen used for the same consolidated quarter year-to-date period of last year.

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

Net cash used by financing activities during the consolidated second quarter under review came to 279 million yen. This reflected the payment of cash dividends of 279 million yen. Net cash used in investing activities increased by 29 million yen compared to 249 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, 2023 that were announced in the "Notice on changes to earning forecast" released on June 7, 2023.

## 2. Quarterly Consolidated Financial Statements and Notes

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

(Thousands of Yen)

Assets	End of Previous Year (October. 31, 2022)	End of Second Quarter (April 30, 2023)
<b>Current Assets</b>		
Cash and Deposits	10,732,583	10,529,501
Notes, Accounts Receivable-Trade and Contract Assets	13,297,252	13,184,181
Electronically Recorded Monetary Claims	3,466,717	4,471,466
Merchandise and Finished Goods	5,839,927	5,577,931
Work in Process	1,282,752	1,487,582
Raw Materials and Supplies	1,120,659	1,612,249
Others	323,406	437,736
Allowance for Doubtful Accounts	-83,122	-68,002
<b>Total Current Assets</b>	35,980,178	37,232,646
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Buildings and Structures	5,144,878	5,120,631
Accumulated Depreciation	-2,209,570	-2,267,121
Buildings and Structures, Net	2,935,308	2,853,509
Machinery, Equipment and Vehicles	4,298,347	4,259,396
Accumulated Depreciation	-3,820,079	-3,803,717
Machinery, Equipment and Vehicles, Net	478,268	455,679
Land	2,304,010	2,303,274
Construction in progress	17,347	3,863
Others	1,139,081	1,159,154
Accumulated Depreciation	-1,049,820	-1,072,291
Others, Net	89,261	86,863
<b>Total Property, Plant and Equipment</b>	5,824,196	5,703,190
Intangible Assets	86,835	93,510
Investments and Other Assets		
Investment Securities	1,306,889	1,406,363
Guarantee Deposits	563,224	558,435
Net Defined Benefit Assets	1,908,244	1,935,802
Deferred Tax Assets	6,291	5,182
Others	88,304	92,347
Allowance for Doubtful Accounts	-21,892	-21,892
<b>Total Investments and Other Assets</b>	3,851,061	3,976,237
<b>Total Noncurrent Assets</b>	9,762,093	9,772,939
<b>Total Assets</b>	45,742,272	47,005,585

(Thousands of Yen)

<b>Liabilities and Net Assets</b>	<b>End of Previous Year (October. 31, 2022)</b>	<b>End of Second Quarter (April 30, 2023)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and Accounts Payable-Trade	4,582,839	4,186,526
Electronically Recorded Monetary Debt	2,238,380	2,589,200
Accounts Payable-Others	744,644	781,796
Income Taxes Payable	769,585	522,668
Contract Liabilities	291,848	890,463
Provision for Bonuses	1,507,631	1,146,775
Provision for Directors' Bonuses	103,889	52,665
Allowance for Product Warranty	200,287	145,414
Others	236,306	459,232
<b>Total Current Liabilities</b>	<b>10,675,412</b>	<b>10,774,743</b>
<b>Noncurrent Liabilities</b>		
Provision for Directors' Retirement Benefits	5,460	-
Net Defined Benefit Liabilities	74,120	76,676
Deferred Tax Liabilities	599,474	804,976
<b>Total Noncurrent Liabilities</b>	<b>679,055</b>	<b>881,653</b>
<b>Total Liabilities</b>	<b>11,354,468</b>	<b>11,656,396</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	30,882,276	32,018,940
Treasury Stock	-364,148	-364,148
<b>Total Shareholders' Equity</b>	<b>33,062,747</b>	<b>34,199,411</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation Difference on Available-for-Sale Securities	362,745	436,765
Deferred Gains or Losses on Hedges	11,637	7,074
Foreign Currency Translation Adjustment	801,149	573,729
Total Adjustment on Net Defined Benefit	149,523	132,208
<b>Total Accumulated Other Comprehensive Income</b>	<b>1,325,056</b>	<b>1,149,777</b>
<b>Total Net Assets</b>	<b>34,387,804</b>	<b>35,349,189</b>
<b>Total Liabilities and Net Assets</b>	<b>45,742,272</b>	<b>47,005,585</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, 2022	Second Quarter Ended April 30, 2023
<b>Net Sales</b>	21,972,451	24,155,024
<b>Cost of Sales</b>	16,410,974	17,960,161
<b>Gross Profit</b>	5,561,476	6,194,863
<b>Selling, General and Administrative Expenses</b>	3,759,268	4,131,874
<b>Operating Income</b>	1,802,208	2,062,988
<b>Non-Operating Income</b>		
Interest Income	759	7,105
Dividends Income	17,633	20,838
Rent Income	3,658	4,015
Foreign Exchange Gain	43,654	—
Others	21,291	24,850
<b>Total Non-Operating Income</b>	86,997	56,809
<b>Non-Operating Expenses</b>		
Interest Expenses	1,232	360
Commission Paid	7,487	7,487
Foreign Exchange Loss	—	35,068
Others	1,236	1,383
<b>Total Non-Operating Expenses</b>	9,956	44,300
<b>Ordinary Income</b>	1,879,248	2,075,497
<b>Extraordinary Profits</b>		
Profit on Sales of Noncurrent Assets	456,447	—
Gain on Sale of Investment Securities	—	11,907
<b>Total Extraordinary Profits</b>	456,447	11,907
Income before Income Taxes and Minority Interests	2,335,696	2,087,405
Income Taxes-Current	569,249	489,039
Income Taxes-Deferred	170,496	182,310
<b>Total Income Taxes</b>	739,746	671,350
<b>Net Income</b>	1,595,950	1,416,054
<b>Net Income Attributable to Owners of the Parent</b>	1,595,950	1,416,054

Quarterly Consolidated Statement of Comprehensive Income (Second Quarter)

(Thousands of Yen)

	Second Quarter Ended April 30, 2022	Second Quarter Ended April 30, 2023
<b>Net Income</b>	1,595,950	1,416,054
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-79,753	74,020
Deferred Gains or Losses (-) on Hedges	8,258	-4,563
Foreign Currency Translation Adjustment	261,621	-227,420
Net Defined Benefit	-22,377	-17,315
Total Other Comprehensive Income	167,747	-175,278
<b>Comprehensive Income</b>	1,763,698	1,240,776
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	1,763,698	1,240,776

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of Yen)

	Second Quarter Ended April 30, 2022	Second Quarter Ended April 30, 2023
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Income before Income Taxes	2,335,696	2,087,405
Depreciation and Amortization	181,288	187,919
Increase (Decrease) in Provision for Bonuses	(397,617)	(359,308)
Increase (Decrease) in Provision for Directors' Bonuses	(38,427)	(51,223)
Increase (Decrease) in Allowance for Product Warranty	(138,624)	(54,872)
Increase (Decrease) in Provision for Directors' Retirement Benefits	—	(5,460)
Increase (Decrease) in Net Defined Benefit Liability	851	2,555
Decrease (Increase) in Net Defined Benefit Asset	(27,537)	(27,558)
Increase (Decrease) in Allowance for Doubtful Accounts	287	(8,772)
Interests and Dividends Income	(18,393)	(27,944)
Interest Expenses	1,232	360
Foreign Exchange Loss (Gain)	(15,820)	101,572
Loss on Sale of Noncurrent Assets (Gain)	(456,447)	—
Loss on Sale of Investment Securities (Gain)	—	(11,907)
Decrease (Increase) in Notes, Accounts Receivable-Trade and Contract Assets	(1,666,043)	(1,052,373)
Decrease (Increase) in Inventories	(1,226,302)	(563,362)
Decrease (Increase) in Advance Payment	27,267	(224,121)
Increase (Decrease) in Notes and Accounts Payable-Trade	151,044	58,844
Increase (Decrease) in Accounts Payable-Others	57,179	49,638
Increase (Decrease) in Contract Liabilities	664,626	601,189
Increase (Decrease) in Consumption Taxes Payable	(166,407)	344,430
Others, Net	(73,882)	(53,045)
Sub Total	(806,028)	993,964
Interests and Dividends Income Received	18,436	28,124
Interest Expenses Paid	(1,239)	(367)
Income Taxes Returned (Paid)	(719,015)	(729,560)
<b>Net Cash Provided by (Used in) Operating Activities</b>	(1,507,847)	292,160

(Thousands of Yen)

	Second Quarter Ended April 30, 2022	Second Quarter Ended April 30, 2023
<b>Net Cash Provided by (Used in) Investment Activities</b>		
Disbursement to Time Deposits	(8,000,000)	(4,200,000)
Withdrawal from Time Deposits	4,000,000	4,000,000
Purchase of Property, Plant and Equipment	(119,392)	(71,134)
Proceeds from Sale of Property, Plant and Equipment	491,734	—
Purchase of Intangible Fixed Assets	(13,412)	(35,704)
Purchase of Investment Securities	(7,334)	(803)
Proceeds from Sale of Investment Securities	—	21,213
Payments of Loans Receivable	(540)	(5,886)
Collection of Loans Receivable	610	360
Guarantee Deposits (Increase)	(145,021)	747
Others, Net	(1,426)	(5)
<b>Net Cash Provided by (Used in) Investment Activities</b>	<b>(3,794,782)</b>	<b>(291,214)</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>		
Purchase of Treasury Stock	(66)	—
Cash Dividends Paid	(249,457)	(279,391)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(249,524)</b>	<b>(279,391)</b>
<b>Cash and Cash Equivalents</b>		
Effect of Exchange Rate Change on Cash and Cash Equivalents	139,612	(124,637)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,412,541)	(403,081)
Cash and Cash Equivalents at Beginning of Period	12,607,490	10,732,583
Cash and Cash Equivalents at End of This Quarter	7,194,949	10,329,501

#### **(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 Application Guidelines for Fair Value Measurement)

We have applied Accounting Standard Application Guidelines for Fair Value Measurement (ASBJ Statement No. 31; hereinafter referred to as Accounting Standard Application Guidelines for Fair Value Measurement) from the beginning of the consolidated first quarter under review, and in compliance with the transitional treatment prescribed in Article 27-2 of Accounting Standard Application Guidelines for Fair Value Measurement, we will in the future apply the new accounting policy prescribed by Accounting Standard Application Guidelines 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 advance payment, 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 the change in this presentation method, 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 (46,615,000) 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 27,267,000 yen in increase (decrease) in advance payment and (73,882,000) yen in others, net.

(Segment information, etc.)

[Segment information]

**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.

**Second Quarter Ended April 30, 2023**

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	5,798,007	18,357,017	24,155,024	24,155,024
Internal Net Sales among Segments or Amount Transferred	-	-	-	-
Total	5,798,007	18,357,017	24,155,024	24,155,024
Segment Profit	327,858	1,735,130	2,062,988	2,062,988

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