

Financial Results for the Third Quarter Ended July 31, 2023 [Japan GAAP] (Consolidated)

Date: September 12, 2023
 Company Name and Code: Tomoe Engineering Co., Ltd. and Subsidiaries - 6309
 (URL: http://www.tomo-e.co.jp/index_e.html)
 Stock exchange listing: 1st Section, Tokyo Stock Exchange
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Date to report Quarterly Consolidated Financial Statement: September 14, 2023
 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, 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 July 31, 2023	35,823	9.4	2,888	29.5	2,920	24.8
Quarter Ended July 31, 2022	32,746	—	2,230	1.9	2,340	4.7

	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, 2023	1,986	3.8	199. ¹¹	—
Quarter Ended July 31, 2022	1,913	14.5	191. ⁷⁹	—

(Note) Comprehensive income

Third Quarter ended July 31, 2023: 2,129 million yen (-5.3%) Third Quarter ended July 31, 2022: 2,247 million yen (19.5%)

(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, 2023	47,801	35,838	75.0
Year Ended October 31, 2022	45,742	34,387	75.2

(Reference) Net assets

Third Quarter ended July 31, 2023: 35,838 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. ⁰⁰	—	28. ⁰⁰	53. ⁰⁰
Year Ending October 31, 2023	—	40. ⁰⁰	—		
Year Ending October 31, 2023 (Prospect)				40. ⁰⁰	80. ⁰⁰

(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. ⁵³

(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 July 31, 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 July 31, 2023: 554,940 shares At October 31, 2022: 554,940 shares

3) Number of average shares (accumulated quarterly total)

At July 31, 2023: 9,978,260 shares At July 31, 2022: 9,978,272 shares

*The quarterly earnings report is exempt from the quarterly review by certified public accountant or audit firm.

*Explanations for appropriate use of the earnings forecast and other special instructions

The forward-looking statements such as a forecast of our financial results described herein are based on the information currently available to us and certain assumptions that we believe are reasonable. Actual results could differ materially due to various factors.

Please refer to the Attachments on page 3, (3) [Analysis of Future Forecast on Quarterly Consolidated Earnings Forecast] of 1. [Qualitative Information on Quarterly Consolidated Operating Results] for the operating results forecast.

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1. Qualitative Information on Quarterly Consolidated Operating Results

(1) Analysis of Operating Results

During the third quarter of the current consolidated fiscal year, Japan's economy showed sluggish growth at the beginning of the period, despite negative growth in personal consumption, the economy recovered afterward and recorded positive growth against a backdrop of growth in exports. On the other hand, overseas, the U.S. economy remained strong, but the Chinese economic recovery decelerated, and the European economy continued to be on a declining trend.

Given these circumstances, net sales of the Tomoe Engineering Group for the consolidated third quarter were 35,823 million yen, 9.4% up from the same period of the previous year, reflecting increases in net sales for both the Machinery & Equipment Business and the Chemical Product Business. With respect to earnings during the period, operating income was 2,888 million yen, 29.5% up from the same period of the previous year, because of increased profits in the Chemical Products Business, while ordinary income came to 2,920 million yen, 24.8% up from the same period of the previous year. Net income attributable to owners of the parent was 1,986 million yen, 3.8% up from the same period of the previous year.

Operating results by segment were as follows.

(Machinery & Equipment Business)

In the Machinery & Equipment Business, consolidated net sales for the third quarter were 7,965 million yen, 5.6% 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, equipment and construction works, and components and repair services all 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	July, 2022	562	755	2,134	3,452
	July, 2023	369	547	2,000	2,917
	Difference	-193	-207	-133	-534
Private sector	July, 2022	183	88	1,449	1,720
	July, 2023	282	7	1,452	1,742
	Difference	99	-80	3	22
Overseas markets	July, 2022	820	0	1,550	2,371
	July, 2023	1,365	160	1,779	3,305
	Difference	545	160	228	934
TOTAL	July, 2022	1,566	843	5,134	7,544
	July, 2023	2,017	715	5,233	7,965
	Difference	451	-128	98	421

With respect to earnings, operating income was 235 million yen, 42.5% down from the same period of the previous year, reflecting an increase in selling expenses despite increased net sales.

(Chemical Products Business)

In the Chemical Products Business, consolidated year-to-date net sales for the third quarter were 27,857 million yen, 10.5% 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, and materials mainly for paint and ink applications in the chemical products sector expanded.

(Millions of Yen)

	July, 2022	July, 2023	Difference
Synthetic resin sector	3,887	3,957	70
Industrial materials sector	4,484	4,304	-180
Mineral products sector	3,599	4,290	690
Chemical products sector	6,135	6,498	363
Advanced materials sector	2,969	4,766	1,796
Electronic materials sector	3,931	3,845	-85
Other products (foreign liquor)	194	195	0
Total	25,202	27,857	2,655

With respect to earnings during the period, operating income was 2,653 million yen, 45.6% up from the same period of the previous year, reflecting growth in gross profit which surpassed selling expenses.

(2) Analysis of Financial Condition

Total assets as of the end of the consolidated third quarter under review were 47,801 million yen, increased by 2,059 million yen from the end of the previous consolidated fiscal year. This reflected increases in cash and deposits, and work in process, although notes, accounts receivable-trade and contract assets, and merchandise and finished goods decreased.

Liabilities were 11,963 million yen, increased by 608 million yen from the end of the previous consolidated fiscal year, mainly because of an increase in contract liabilities, despite decreases in notes and accounts payable-trade, and income taxes payable.

Net assets stood at 35,838 million yen, increased by 1,450 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 third quarter under review stood at 75.0%, decreased by 0.2 point compared with the end of the previous consolidated fiscal year.

(3) Analysis of Future Forecast on 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 Statement and Notes
(1) Quarterly Consolidated Balance Sheets (Third Quarter)

(Thousands of Yen)

Assets	End of Previous Year (October 31, 2022)	End of Third Quarter (July 31, 2023)
Current Assets		
Cash and Deposits	10,732,583	11,649,544
Notes, Accounts Receivable-Trade and Contract Assets	13,297,252	12,776,106
Electronically Recorded Monetary Claims	3,466,717	4,097,486
Merchandise and Finished Goods	5,839,927	5,171,173
Work in Process	1,282,752	2,429,758
Raw Materials and Supplies	1,120,659	1,429,071
Others	323,406	429,871
Allowance for Doubtful Accounts	-83,122	-73,608
Total Current Assets	35,980,178	37,909,404
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures	5,144,878	5,150,094
Accumulated Depreciation	-2,209,570	-2,317,176
Buildings and Structures, Net	2,935,308	2,832,917
Machinery, Equipment and Vehicles	4,298,347	4,342,384
Accumulated Depreciation	-3,820,079	-3,892,148
Machinery, Equipment and Vehicles, Net	478,268	450,235
Land	2,304,010	2,304,022
Construction in progress	17,347	–
Others	1,139,081	1,175,698
Accumulated Depreciation	-1,049,820	-1,092,661
Others, Net	89,261	83,037
Total Property, Plant and Equipment	5,824,196	5,670,213
Intangible Assets	86,835	112,870
Investments and Other Assets		
Investment Securities	1,306,889	1,532,913
Guarantee Deposits	563,224	554,092
Net Defined Benefit Assets	1,908,244	1,950,928
Deferred Tax Assets	6,291	137
Others	88,304	93,290
Allowance for Doubtful Accounts	-21,892	-21,892
Total Investments and Other Assets	3,851,061	4,109,469
Total Noncurrent Assets	9,762,093	9,892,554
Total Assets	45,742,272	47,801,958

(Thousands of Yen)

Liabilities and Net Assets	End of Previous Year (October. 31, 2022)	End of Third Quarter (July 31, 2023)
Liabilities		
Current Liabilities		
Notes and Accounts Payable-Trade	4,582,839	4,132,574
Electronically Recorded Monetary Debt	2,238,380	2,348,342
Short-term Loans Payable	–	113,680
Accounts Payable-Others	744,644	726,404
Income Taxes Payable	769,585	169,970
Contract Liabilities	291,848	1,688,581
Provision for Bonuses	1,507,631	1,106,917
Provision for Directors' Bonuses	103,889	84,452
Allowance for Product Warranty	200,287	124,955
Others	236,306	495,883
Total Current Liabilities	10,675,412	10,991,761
Noncurrent Liabilities		
Provision for Directors' Retirement Benefits	5,460	–
Net Defined Benefit Liabilities	74,120	84,308
Deferred Tax Liabilities	599,474	887,299
Total Noncurrent Liabilities	679,055	971,608
Total Liabilities	11,354,468	11,963,370
Net Assets		
Shareholders' Equity		
Capital Stock	1,061,210	1,061,210
Capital Surplus	1,483,410	1,483,410
Retained Earnings	30,882,276	32,190,549
Treasury Stock	-364,148	-364,148
Total Shareholders' Equity	33,062,747	34,371,020
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-Sale Securities	362,745	534,613
Deferred Gains or Losses on Hedges	11,637	4,422
Foreign Currency Translation Adjustment	801,149	804,981
Total Adjustment on Net Defined Benefit	149,523	123,550
Total Accumulated Other Comprehensive Income	1,325,056	1,467,567
Total Net Assets	34,387,804	35,838,588
Total Liabilities and Net Assets	45,742,272	47,801,958

(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, 2022	Third Quarter Ended July 31, 2023
Net Sales	32,746,291	35,823,059
Cost of Sales	24,804,988	26,700,082
Gross Profit	7,941,303	9,122,977
Selling, General and Administrative Expenses	5,710,383	6,234,787
Operating Income	2,230,919	2,888,190
Non-Operating Income		
Interest Income	1,546	13,299
Dividends Income	41,628	45,923
Rent Income	5,650	6,022
Foreign Exchange Gain	43,963	—
Others	30,046	31,384
Total Non-Operating Income	122,834	96,630
Non-Operating Expenses		
Interest Expenses	2,914	1,300
Commission Paid	8,243	8,243
Foreign Exchange Loss	—	52,776
Others	2,058	2,140
Total Non-Operating Expenses	13,216	64,461
Ordinary Income	2,340,537	2,920,359
Extraordinary Profits		
Profit on Sales of Noncurrent Assets	460,722	—
Profit on Sales of Investment Securities	1,254	54,394
Total Extraordinary Profits	461,976	54,394
Income before Income Taxes	2,802,514	2,974,753
Income Taxes-Current	671,634	755,267
Income Taxes-Deferred	217,135	232,692
Total Income Taxes	888,769	987,959
Net Income	1,913,744	1,986,794
Net Income		
Attributable to Owners of the Parent	1,913,744	1,986,794

Quarterly Consolidated Statements of Comprehensive Income (Third Quarter)

(Thousands of Yen)

	Third Quarter Ended July 31, 2022	Third Quarter Ended July 31, 2023
Net Income	1,913,744	1,986,794
Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities	-105,162	171,867
Deferred Gains or Losses (-) on Hedges	-18,076	-7,215
Foreign Currency Translation Adjustment	490,575	3,831
Adjustment on Net Defined Benefit	-33,566	-25,972
Total Other Comprehensive Income	333,770	142,511
Comprehensive Income	2,247,514	2,129,305
(Breakdown)		
Comprehensive Income Attributable to Owners of the Parent	2,247,514	2,129,305

(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.

(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.

(Segment Information, etc.)

[Segment Information]

I Third Quarter Ended July 31, 2022

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	7,544,189	25,202,102	32,746,291	32,746,291
Internal Net Sales among Segments or Amount Transferred	—	—	—	—
Total	7,544,189	25,202,102	32,746,291	32,746,291
Segment Profit	409,011	1,821,907	2,230,919	2,230,919

(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, 2023

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	7,965,326	27,857,733	35,823,059	35,823,059
Internal Net Sales among Segments or Amount Transferred	—	—	—	—
Total	7,965,326	27,857,733	35,823,059	35,823,059
Segment Profit	235,014	2,653,175	2,888,190	2,888,190

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